

Patterns of international tourism organizations: the role of information technologies

Stefania De Simone

Institute of Service Industry Research - National Research Council

I.R.A.T. – C.N.R.

Via G. Sanfelice, 8 - 80134 Naples (Italy)

Giovanni Di Trapani

Institute of Service Industry Research - National Research Council

I.R.A.T. – C.N.R.

Via G. Sanfelice, 8 - 80134 Naples (Italy)

Abstract— The paper examines first the organization of tourist companies, focusing on the main international structural forms and on human resource management. Then it examines the role of information technology in the tourist sector. The Internet can be a great opportunity for organizations addressing to eligible consumers in a long term relationship by offering memorable tourist services, in a perspective of total marketing relationship that can enhance the physical, emotional, electronics interaction, by integrating external and internal organizational dimension in order to build customer loyalty.

Keywords-component; resource management, tourism organizations, Ict

I. INTRODUCTION

The tourism organization is represented by different sectors both on the demand and supply side. It deals with a dualistic structure (Williams AM, 1995), characterizing by small firms, such as receptive structures and tourism intermediation, and a few large companies, such as the air transport case. The reasons engendering the internationalization of tourism firms are as follows:

- the internationalization of the demand, depending on the one hand by the increase of available wealth, by the re-consideration of the free time value, and on the other hand on a greater social mobility and international job mobility and migration flows;
- the need for tourism organizations to assert competitiveness through cost leadership, product differentiation and specialization in particular market niches. All these factors favour openness towards internationalization.

The paper examines first the organization of tourist companies, focusing on the main organizational forms and on human resource management. Then it examines the role of information technology in the tourist sector.

II. THE INTERNATIONAL ORGANIZATION

The tourism organization is represented by a particular competitive context, structural characteristics and human resource management policies. Tourism activities are

characterized by the need to replicate in foreign markets, with appropriate adaptations, management tools that would be effective in the domestic market.

The essential requirements enabling the tourist organization to operate in international markets are varied, such as; adequate decision-making processes; autonomy; efficient reporting, effective communication channels, constructive career paths, achievement of fixed objectives (SF Witt, MZ Brooke, PJ Buckley, 1991). In many cases, the first four factors are considered more carefully in the tourism industry, but all these aspects must be necessary integrated in the planning of international strategies for their implication on the choices.

Decision Making – The decision making process should be based on international guideline criteria concerning the degree of autonomy recognized by foreign offices. In fact, if only a limited number of key decisions are taken by the head office, the international enterprise can be defined decentralized. If too many other decisions such as small investments and human resource management are taken from the headquarters, the enterprise is called centralized.

The centralization of decisions determines numerous implications such as the ability to have a staff, to make quick decisions affecting markets in which the company operates, the availability of effective information flows.

Autonomy – The autonomy is defined as the independent authority granted to the foreign office. The foreign unit is managed according to the legal system of the host country, in which the administrators take a wide responsibility. In the face of the acceptance of this responsibility, the standard dispositions relating to various aspects, such as fiscal and accounting criteria, receive the appropriate adjustments depending to the local situation.

Reporting - The international organization, in order to control the management of foreign offices, must receive reports containing economic-financial elements, marketing data and any other statistics useful for units' surveys. Monitoring can be useful to highlight not only management trends, but also possible problems and to control the responsible behaviour of foreign offices.

Communication channels - The organizational structure of the international enterprise must be designed in order to facilitate

the information network. In the past, companies adopted vertically oriented flow of informations between the foreign unit and the headquarters, trying to simplify as much as possible. In fact, a centralized network requires a large number of communications because any exchanged information must transit to the Centre. To cope with these problems a number of methods have been adopted such as that one providing information exchange cross. This aspect, which in the past required a minimum of periodicity, is made easier by the development of communication technologies, enabling to create distance meetings.

Career paths - In many cases, international tourism companies are composed of human resource of different nationalities, with specific capabilities and complementary skills. However, to enhance these resources, it is necessary that career paths are accessible at the international level too until the head quarter, by providing appropriate educational supports. This is especially true for companies with a centralized structure, with the concentration of the most important positions in one location.

Objectives - A useful aspect at the definition of an international organization is the need to assign objectives being consistent with the overall strategy and able to stimulate the activities to be carried out. This aspect considers the expectations of international tourists, interested primarily to receive standard of reliable services when they choose a well-known brand. However, there may be cases where local specificities can not be ignored for cultural reasons, laws, and in these cases it will be necessary to derogate from some of the rules that the company internationally established.

III. ORGANIZATIONAL MODELS IN TOURISM

A tourism company operating abroad must be supported by an adequate organizational design. First, when the international company makes big investment in the direct management of foreign activities, the complexity increases and requires significant organization of decision-making processes and operational procedures. Secondly, the degree of diversification of the company (if it operates in a single business or in more different sectors) also affects the need of the design.

In particular, there are five organizational forms to meet coordination needs at the international level (Witt SF, MZ Brooke, PJ Buckley, 1991):

- *The international functional model;*
- *The international/regional division;*
- *The international divisions for product/customer;*
- *The matrix organization;*
- *The project organization.*

The international functional model

Companies operating in a single business adopt the international functional model, articulated in two solutions. The first one is characterised by autonomous and more structured units, in which coordination takes place at top level between the head office and the foreign office. The second one contains secondary unstructured foreign units, in which coordination is assigned to a particular functional unit, while

operations are managed by central functions interacting with corresponding foreign offices.

The international/regional division

This solution is used both by companies operating in a single business or in more fields. The responsibility for internationalization is given to a division of the headquarters, having the role of coordination of foreign activities or, separately, of one or more geographical areas.

The main advantage of this model is to better coordinate the specialized skills of internationalization, leaving at the same time wide range of autonomy for the choices concerning foreign assets (Pencarelli T., 2003).

The international divisions for product/customer

This model separates the divisions as autonomous business units, each one relating with the headquarters only at the top level. It's used especially in multi-product tourist companies or in firms operating in more sectors, also outside of the tourist market. The basic criterion is that each division autonomously controls its international activities. The divisions also can be articulated in a product or customer level, with foreign offices, each one relating to central offices of division.

One disadvantage of this form is the presence of more units belonging to different divisions in the same country. This problem can be solved by setting up a holding company to coordinate the accounting, financial and fiscal management.

The matrix organization

This organizational form enables to combine divisions by product/customer with divisions by country/region: in this way the foreign unit refers back to the headquarters in both ways, by allowing controlling both product/customer and the country, for the benefit of a better international coordination.

The project organisation

The project organization consists of introducing in the organizational structure responsibilities for specific projects, aimed at managing foreign operations. This solution allows satisfying the flexibility and structural requirements, which are important in the tourism sector characterized by a continuous dynamism. The main problem of this form of organization is to coordinate different working groups dedicated to specific projects with the main organizational structure, ensuring an effective flow of information and operational autonomy.

IV. HUMAN RESOURCE MANAGEMENT

In tourism, like other service sectors, it can be registered an increasing attention on entrepreneurial development at the international level. However, compared to other sectors, it can be found specific solutions according to company characteristics, the sector, and the organisational culture.

The international growth of many tourism enterprises created imbalances, especially in the selection and training of personnel with obvious repercussions on the supply quality. In this regard, it is necessary to distinguish between operational staff and top management.

In the first case two types of policies can be adopted: selection and training of local staff of foreign offices, making the human resource management more uniform at the local level,

or facilitation of the international exchange of experiences through stage or training courses, with the objective of aligning at international level the human resource management, favourable condition to use standardized solutions in personnel management.

For top management, however, the cost for the human resources transfer in foreign sites must be added. The costs for the company can greatly increase, and this drives the company to employ qualified personnel directly in the foreign country.

However, in addition to the acquisition costs of staff, top management and operational one, it is necessary to consider their capabilities, which must be as consistent as possible with the organizational culture and values.

The training is particularly important in the tourism sector for two reasons (Middleton VTC, 1988): First, the high number of employees having direct interaction with clients in all phases of the process-service delivery, differently from the manufacturing activities where the contact is only at the level of sales and service.

The other important factor is the strategic role of management, because of the increasing competition within the tourism industry and the consequent need to segment the market. For example, the mechanism of price differentiation in the tourism (hotels, airlines) has become more and more complex with respect to the kind of customers. As a result, management skills are essential to understand the market structure and dynamics and to define criteria for appropriate segmentation. This complexity more and more increases if the issues are transferred to the international level, at the same time keeping coordination with the headquarters. The development and transferability of capabilities are of great importance in the international development of the tourism.

V. INFORMATION TECHNOLOGY

The tourism industry is characterized by the growing importance in the economic systems both in terms of employment and creation of added value. All this has a significant effect in the economy, just think of the workers worldwide was estimated at 68 million (WTTC-World Travel and Tourism Council).

The tourism sector over the last three decades has been among the first sectors that are interested by the use of information technology: the CRS (Computerized Reservation System) in the seventies, the GDS (Global Distribution System) in the eighties and Internet in the mid-nineties. The first two technologies have made available globally tourist services through the intermediation of travel agencies, which had exclusive access to automated booking system. Internet, however, extended this opportunity to the final consumer, redesigning the business system. In fact, the Internet is not just a tool for information, but also marketing of tourism products. The intrinsic characteristics of tourism products (intangibility, simultaneity, etc.) are favourably to the use of network technologies, technologies able to facilitate the collection, processing and transmission of information within the organization (intranet), between organizations (extranet) and

with (and among) the consumer and with (and among) corporate stakeholders. They enable many advantages as follows:

- the cancellation of the geographical distance making irrelevant the location between producer and consumer;
- the increased participation of tourist in the process of production-delivery of the tourism product through the acquisition of data, images.

In fact, the Internet allows to tourism enterprises to manage in an innovative way:

- the intangibility, showing in advance the services they wish, making tangible "the intangible" (providing details on the offer);
- the simultaneity, encouraging the personalization of the offer and the participation and involvement of the customer;
- the heterogeneity, listening to the opinions of customers and electronic "passaparola" (chat, forums, etc.);
- the perish ability, optimizing the production capacity of enterprises, facilitating access of enterprises, by orienting the demand to targeted marketing actions.

Tourists, using internet, look especially for the speed and completeness of information, which stimulate the spread of accessible computer technologies, through different media from your PC, such as cell phones, television sets.

According to the Between Company research on network technologies, the propensity of individuals to the use of the network for the purchase of tourism products is quite high. Another relevant information is given by the Travel Industry Association of America, which showed that the number of online travellers has grown tremendously from 2003 to 2006 (from 29 million to 85 million), but only a small part (16 million) make online reservations for obvious security reasons. It's possible to draw a typical profile of the on line traveller: he is a male subject, of middle age, with an income and a high standard of education, he is oriented toward a resort tourism.

It can be registered a relevant fact, that online sales see first the airlines, followed by tour operators, online travel agencies, and then the railways, hotels, car rental companies.

In the booking system used by travel agencies, there are several intermediaries, such as Worldspan, Sabre, Amadeus, Galileo. These subjects are in Internet and work at "business to business" level along the intermediation chain, and at "business to consumer" level providing services to final tourists.

Also airlines are in Internet and in electronic commerce, providing various services such as information on available seats, prices, directly online tickets purchase, by mobile phone, or by making them available directly at the departure airport at the time of boarding. They allow consumers to participate in online auctions to purchase unsold tickets during the day before the flight, getting affordable rates.

The presence in the network is also given by the suppliers of rail transport services which made available various facilities such as simulators path, maps, booking, information. There are also other organizations in the network such as tour operators,

the most innovative travel agencies, car rental companies, public tourism institutions.

In a short time we will assist to online presence of the whole value chain of tourism system due to the Internet's ability to convey complex information through multimedia tools. The distribution chain, in particular, will be affected by processes of structural reorganization. It will record the exit of weakest intermediaries and the entry of new information intermediaries, such as specialized portals dedicated to tourism that make re-intermediation processes in the system of tourist value, aim at improving the cognitive performance of the consumer (Mandelli, 1998) and offer themselves as mediators between the needs of tourists and the tourism industry. These portals, in fact, allow visitors to compare the net prices fixed by different subjects for the same trip, to get personalized 24-hour 24 budgets. In addition to tourism portals, other subjects are capable of setting up re-intermediation processes in the tourism sector, such as horizontal portals in geographical vocation (salernocity.com), search engines (virgilio.it) allowing to book hotel rooms in major Italian cities.

Even if many traditional operators (tour operators, small to medium size hotels) avoid rivalry downstream of distribution system, by simply providing information to tourists and orienting the latter towards the agencies for the tourism products purchase, in the new competitive context, the subject to more risk are travel agencies. Strategies should be reviewed in light of the aggressive strategies implemented by new actors of the electronic distribution system, such as air carriers, virtual tour operators. The same travel agencies could proactively act as strategic actors in the electronic channel, because they are able to enhance their presence in the territorial area and to capitalize their cognitive assets towards customers.

- *Versus new technologies*

The tourism sector is characterised by the development of new information and communication technologies, which enable, by reducing the temporal and spatial distance, to obtain a better understanding of customer needs and to create custom shapes supply.

In the supply composition we assist to the entry of new competitors capable to offer personalized services and the possible exit of travel agencies. Internet, in any case, enables each organization to achieve and be reached by the consumer, also many tourist enterprises are not only present in the network, but thanks to these technologies they have started effective strategies for Customer Relationship Management (CRM) aimed not only to acquire customers, but also to retain and establish a lasting relationship with them. In fact, for many tourism intermediaries and traditional operators the network is an additional channel adding to the existing ones, based on the brand reputation, on the acquired image, and on the business strategies adopted in the past. A hotel, for example, can stimulate its customers to online booking, simply communicating them the new possibilities.

New technologies can be able to address the customer interaction towards the relational exchange model only if there are two conditions: the high trust between the involved actors,

which is not at all obvious condition and very often to build; and the existence of non-standard forms to create and communicate the supply. In tourism, however, there is the delivery of homogenous services (inclusive tour), similar to mass products with personalized services.

In order to build and maintain interactive relationships with customers, it's necessary to start from the mass customization actions by developing standard models and producing services aligned to customer needs. As a result it is important to enhance mutual learning between seller and buyer through:

- the attention to the technical and functional quality, recalling the role of contact staff and general staff to the delivery of total quality, in order to let the customer live a unique experience and build customer loyalty;

- the importance of price or power: in tourism, it becomes less crucial if the actors have a collaborative relationship, which is not necessarily linked to the technical support with which they interact;

- the initial high cognitive distance between seller and buyer: this occurs especially when the tourist buys products whose he doesn't have any information and he feels geographically far (for example the case of the tourist or travel agency organizing the first trip in central Africa);

- the availability to cooperate on both the demand and the supply side, by stimulating the need to activate relationship marketing initiatives at all organization levels (front office, back office) and to select target customers interesting to participate at the process of production-service delivery (Pencarelli T., 2003).

Electronic transactions don't necessarily assume the model of relational exchanges or interactive marketing: Internet produces a range of information and it's necessary for the supply to communicate what is really important to focus the attention of the demand (Shapiro C., Varian HR, 2000).

In addition, although in distribution channels tourist there are disintermediation and re-intermediation phenomena, it's not clear the intensity and the future direction of these phenomena. With regard to the touristic intermediation, it is assumed that there will be opportunity only for those one able to maximize the cost-benefit ratio in the purchase of service for each customer. However, the situation of the actors willing not be able to provide differentiated services to customers is problematic.

Focusing on intermediaries such as travel agencies retailers, it can be said that they can use not only information and communication technologies to enhance the trust and knowledge heritage of customers, but also to develop loyalty consumers at the moment of sale. In fact, agencies have the advantage of being the largest repositories of social ties and trust with customers, in order to start and maintain a continuous interaction. Thanks to new technologies, this interaction may be strengthened but never replaced. Internet represents an opportunity for the agency to expand the range of offered services, so the agency can make available one or

more computer positions to allow the customers the access to the network and the purchase of tourism products.

It will be more and more the transition from traditional ways to buy purchase forms on the net. If the Internet is the ideal place for information exchange, products, services, the tourism will be the sector that will benefit more than any other in economic terms or not only. In fact, if the technical and economic conditions of accessibility allow, the Internet will be attended by people who have a high propensity to use electronic channels, adopting various technological supports such as computers, cell phone, and television. Thanks to multi-access on the Internet, the tourist can find all the information he need to plan a holiday, buying online the expected services. He can choose, for example, last minute offer of a tour operator or an exotic trip of a specialised broker.

Furthermore, the competitive framework will depend on the entrance and persistence of new network operators in a sector where the financial investment is significant.

In conclusion, the Internet can be a great opportunity for organizations addressing to eligible consumers in a long term relationship by offering memorable tourist services, in a perspective of total marketing relationship that can enhance the physical, emotional, electronics interaction, by integrating external and internal organizational dimension in order to build customer loyalty (De Simone S., 2011a; De Simone 2011b).

REFERENCES

- [1] De Simone S., 2011a, "Logiche istituzionali e performance nelle organizzazioni sanitarie", in Franco M., De Simone S., *Organizzazioni sanitarie: dal design al management*, McGraw-Hill, Milano, pp. 1-32. ISBN 978-88-386-7277-4.
- [2] De Simone S., 2011b, "Cambiamento nelle organizzazioni ospedaliere: meccanismi strutturali e culturali", in Franco M., De Simone S., *Organizzazioni sanitarie: dal design al management*, McGraw-Hill, Milano, pp. 229-258, ISBN 978-88-386-7277-4.
- [3] Mandelli A., (1998), *Internet marketing*, McGraw Hill, Milano.
- [4] Middleton V.T.C., (1988), *Marketing in travel and tourism*, Heinemann, London.
- [5] Mintzberg H., (1979), *The Structuring of Organizations*, Prentice Hall, Englewood Cliffs.
- [6] Pencarelli T., (2003), *Lecture di economia e management delle organizzazioni turistiche*, Edizioni Goliardiche, Udine.
- [7] Shapiro C., Varian H.R., (2000), *Information Rules. Le regole dell'economia dell'informazione*, Etas, Milano.
- [8] Williams A.M., (1995), *Capital and the trasnationalisation of tourism*, in Montanari A., Williams A.M. (Eds), *European tourism: regions, space and restructuring*, Wiley & Sons, London.
- [9] Witt S.F., Brooke M.Z., Buckley P.J., (1991), *The Management of International tourism*, Routledge, London.
- [10] WTTC – World Travel Tourism and Council, *Rapporto annuale 2001*

AUTHORS PROFILE

Stefania De Simone, from December 2001, has been working in Naples as a Researcher in Organizational behaviour at the Institute of Service Industry Research, National Research Council (Italy). Her research interests are in the area of organizational theory and human resource management. She is also interested in the area of organisational behaviour in a theoretical and applied way to health care organizations. She is studying the relationships among actors and their work environment, focusing on themes such as the evaluation of performance, motivation to work and organizational well-being. Stefania De Simone is actually Professor a. c. in organizational theory, University of Naples "Federico II", School of Medicine.

Giovanni Di Trapani, from June 2010, has been working as a Researcher in the field of economics and management of insurance enterprises. With regard to the increasingly relevant issue of the damages caused by natural calamities, he studies and analyzes the role and behaviour of risk management when applying specific insurance covers, particularly to address catastrophic risks. He has recently carried out studies aimed at finding a solution to the evolution of the distribution channels ICT, including the introduction of new market-driven or technology-driven services. Up to May 2010, Giovanni studied Tourism and Cultural Heritage Management, particularly looking at management, consumption and development of the cultural heritage. Giovanni Di Trapani has also specialized in the study of those actions aimed at developing the existent cultural heritage, in its tangible and intangible forms i.e. the study of new, integrated and sustainable supplies available in specific geographical areas. With regard to production and creative consumption, he has studied and analyzed the network, districts and the cultural clusters of some Italian and foreign territories, and defined policies aimed at rejuvenating the city and the urban waterfront. Giovanni Di Trapani is actually Professor a. c. in Economic Statistical and Tourism Statistical, Telemmatic University "Pegaso"