

Closure of an ecolodge

Poor strategic management?

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Abstract

This paper analyses activities relevant to strategy formulation and implementation in a tourism organisation. It defines and discusses the internal and external environments, both of which are relevant to managerial decision making to achieve organisation goals. Fiji's Hidden Paradise, an ecolodge formerly operating on Vanua Levu, is used as a case study. There is a brief overview of the nature and scope of operations of Fiji's Hidden Paradise, and an exploration of how far the failure of the business can be attributed to a lack of sound strategic management. Finally, the paper discusses the implications of the research for strategy formulation and implementation in tourism organisations generally.

Keywords strategic management, tourism, Fiji, hospitality.

Introduction

There is substantial evidence that organisations using strategic management concepts perform better than those that do not, and that strategic planning improves an organisation's performance (Rhyne 1986; Hill & Jones 1992; Schwenk & Schrader 1993; Miller & Cardinal 1994). In fact, 'organizations with strategic planning in place exhibited superior long-term financial performance both relative to their industry sector and in absolute terms' (Rhyne 1986: 436).

A growing number of researchers, looking beyond the expectation of improved performance, consider that strategic planning is effective as a process of management of all functional business areas (Glaister & Falshaw 1999). Over the past two decades, there has been increasing recognition of a potential role for concepts of strategic management and their application in helping firms in the tourism and hospitality industries achieve and maintain competitive advantage (Schwaninger 1986; Chon & Olsen 1990; Olsen, Tse & West 1998; Dwyer, Teal & Kemp 1999; Dwyer et al. 2000; Kemp & Dwyer 2001). The strength and value of strategic planning is that it can assist tourism operators and managers in understanding the dynamic and complex nature of their environment and in thinking through problems in a strategic manner to arrive at more reasoned decisions.

Much has been written about ecotourism, and there have been numerous case studies of ecotourism sites or ecotourism facilities (Harris & Leiper 1995; Lindberg, Enriquez & Sproule 1997; Ross & Wall 1999) but in general, such studies have not employed a strategic management framework as a basis for analysing firms' operations. To date, the application of strategic management concepts in hospitality and tourism seems to have been confined to larger hotels and tourism organisations (Olsen, Tse & West 1998).

Strategic management, which may be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organisation to achieve its objectives, is a process involving three stages: strategy formulation, strategy implementation and strategy evaluation (David 2001: 5; Thompson & Strickland 1999).

One advantage of applying a strategic management framework to a tourism organisation is that it enables the identification of the organisational capabilities (strengths/weaknesses) and the operating and remote business environments (which create opportunities and threats) while providing a tool to assess strategy

implementation to achieve organisational goals. Use of a strategic management framework for analysis therefore enables the researcher to determine whether or not a firm's strategies are consistent with its mission, match its internal capabilities and are appropriate for the type of competitive environment in which it is operating. In the context of ecotourism, where a firm's mission should also reflect sustainable development goals rather than just the drive for financial profitability, use of a strategic management framework appears to offer an important tool of analysis that links organisation goals, strategy formulation, implementation and evaluation.

In May 1998 the Centre for Tourism and Hospitality Research at the University of Western Sydney undertook a study of the operations of an ecolodge, 'Fiji's Hidden Paradise' (FHP), located in Raviravi village on the island of Vanua Levu, in the Fiji Islands. The study formed part of a wider research programme on sustainable tourism development and was carried out at the request of the owner/managers to determine how the ecolodge could increase visitation and thereby inject more expenditure into the village community. The owner/managers indicated to the researchers that profit *per se* was not a driving force (personal communication). Rather, the investment was a philanthropic initiative designed to inject revenue into the village community.

By December 1999—prior to the May 2000 coup and before the study was completed—Fiji's Hidden Paradise had ceased trading, because of the low levels of patronage. Although the resort was a very small business, analysis of its operations provides a useful and interesting vehicle for studying the process of strategic management in tourism organisations. While various reasons can be advanced for its closure, it is useful to explore the extent to which the failure of the business can be attributed to a lack of sound strategic management.

From the strategic management perspective, two types of environment are relevant to managerial decision making to achieve organisational objectives: an internal environment and an external environment (Fahey & Narayanan 1986: 65; Johnson & Scholes 1997: 89). Assessment of the elements comprising these two types of environments is a crucial component of strategy formulation. This paper argues that failure by the management of Fiji's Hidden Paradise to conduct audits of its internal and external environments contributed to the implementation of strategies that, in turn, resulted in failure to achieve its mission.

The paper will first provide a brief overview of the nature and scope of operations of Fiji's Hidden Paradise and secondly, will discuss the role that the absence of strategic management may have played in the cessation of the resort's operations. In particular, discussion will explore how far management failed to undertake environmental scanning in formulating its strategy, and the impact of this on strategy implementation. Finally, the paper will discuss the more general importance of environmental scanning or auditing for strategy formulation in tourism organisations.

Strategic management of Fiji's Hidden Paradise

The product

Fiji's Hidden Paradise was an ecolodge located adjacent to Raviravi village on Fiji's second most populous island, Vanua Levu. Raviravi, a community of 16 families making a total population of about 150 people, is located on the southwestern point of Savusavu Bay. The property is located 60 kilometres from Savusavu, 50 kilometres of which is unpaved, rocky road. Raviravi village comprises fairly rudimentary family housing with a small community hall in its centre. For the most part, the villagers are subsistence farmers of several types of crops and seafood, selling any surplus to local markets. Although strongly Protestant Christian, they also adhere to traditional myths and legends handed down by their ancestors.

The ecolodge, four hundred metres from the village, was built in 1995 at a cost of F\$50,000 (at the time about US\$25,000) financed by two Australian businessmen. It consisted of three *bure* (bungalows in traditional Fijian style and materials) in a garden setting, which could accommodate a total of fifteen guests. The revenue was used to meet operating costs (including the wages of villagers working in the establishment) and to pay off the Australian partners' bank loan. Once the loan had been repaid, subsequent profits from the operations were to be shared, with two-thirds going to the Australian partners and one-third to the villagers.

No recreation facilities were constructed in FHP, nor did it have any shop, radio or television. There was no permanent staff. Instead, the workers—a manager, two cooks, a food-server and a guide—lived in the village and worked at FHP only when there were guests. The cooks and server were

present at and around meal times but returned to the village for most of the day and at night.

The daily price at FHP was F\$150 for adults and F\$60 for children, while families (three or more persons) were charged F\$320 per *bure* per day. Prices included: accommodation, meals, guided fishing and snorkelling tours by motorboat, dolphin watching (in season), guided rainforest walks, and the opportunity to learn about and experience indigenous Fijian culture, bush medicine and therapeutic massage. In addition, transfers from Savusavu cost F\$200 return per party. Most visitors to FHP came from Australia, but the lodge also hosted guests from the USA, the UK, New Zealand, Scotland and Sweden. In all, over its four-year life, only 100 guests holidayed at FHP.

Methodology

Triangulation of the data was achieved using semi-structured interviews, observation and document analysis. Semi-structured interviews were conducted with a number of the key stakeholders in FHP's operation. Questions were structured to probe for and elicit information not available to researchers in the documents to which they had access. Both formal and informal anecdotal responses were gained from the Australian partners of FHP, the local manager, the villagers, competitors, other firms in the tourism industry, other locals in the area surrounding FHP, and Fiji Government officials, including those at the Fiji Visitors Bureau.

Participant observation was another key source of data. Three members of the research group visited the resort and the village, staying for one week in the former and visiting the latter on three occasions. Observations were conducted at the resort and at the nearby village, where villagers worked and lived. The strength of this approach was that it reflected the reality of life experiences of the research participants more accurately than more contrived settings. The researchers observed the daily routine in the village and the operation of the resort, and participated in numerous activities and ceremonies.

During their stay, researchers made extensive diary notes. These were supplemented by discussions at the end of each day, to build a picture piece-by-piece from the pooled observations and tentative conclusions each observer had drawn. The discussions helped in the formulation of issues, which were then subject of further investigations. Diary notes and records of daily discussions were again compared on return to Australia.

Document analysis was the third source of data. Key documents such as brochures, web site printouts and government tourism reports, as well as competitors' publicity and information, were collected and analysed to extend researchers' understanding of data derived from interview respondents. The results of this analysis were then compared with views expressed by participants and other sources of data.

Mission statement

The mission statement for an ecotourism or nature-based facility may be expected to be somewhat broader than that for a typical business firm. Not only should it meet the interests of the usual list of stakeholders—e.g. customers, suppliers, shareholders, employees—but it should *also* reflect awareness of the principles and practices of sustainable development.

The mission statement of FHP in its web site was long and rambling, and the web site conveyed little of what the resort was trying to achieve or of its focus in terms of ecotourism. As a consequence, it ran the risk of leaving prospective visitors with the impression that their holiday might be equally disorganised, thus deterring many from following up their original interest in FHP with further enquiries or a booking.

Recognised components of 'good' mission statements include statements about customers, products and services, markets, technology, concern for survival, growth and profitability, philosophy, self-concept, concern for public image and concern for employees (David 2001). Several important elements of the FHP mission statement may be identified. These involve profit-sharing with an indigenous Fiji village to fund community projects, creating local income and employment, helping to protect the natural environment, enabling the locals to develop business skills, preserving village culture and enhancing visitor learning experiences.

The mission statement of the ecolodge covered the four major dimensions of sustainable development— economic, social, cultural and environmental impacts—and recognised that tourism can help visitors discover/rediscover important values. As such, it provided a useful starting point for strategy formulation.

The internal environment of FHP

The internal environment of an organisation can be characterised in terms of the functional areas of management. Tse (1988: 57) lists six functional business areas relevant to hospitality firms: administration, marketing, finance, human resources, production/operations, and Research and Development. These can be assessed to determine the firm's internal strengths and weaknesses, which can be defined as controllable activities within an organisation that vary in their level of performance. The identification and evaluation of organisational strengths and weaknesses in the functional areas of business are essential in the strategic management process. Indeed, strengths and weaknesses are often determined relative to competitors, and organisations strive to pursue strategies that capitalise on internal strengths and rectify internal weaknesses to achieve competitive advantage.

Administrative capability

It is essential that managers of any business perform, among their other functions, the five basic activities of planning, organising, motivating, staffing and controlling (David 2001: 133). At FHP, all these took place at a very basic level, which can be explained by reference to four factors: the absentee management of the Australian partners, indigenous Fijian culture, the inexperience in business of the Australians and the Fijians, and FHP's small scale of operations.

The local manager of FHP took up his duties only when he received notification that guests would be arriving. He and other villagers looked to the partners in Australia for strategic planning, but unfortunately these key partners in the enterprise had other work commitments and interests. The local manager was expected to organise the cooks, food-server and guide, and notify villagers of the impending arrival of guests to FHP. Staffing of FHP, which occurred only when guests were present, was based on kinship to the local manager. Despite the (small) remuneration offered to staff for performing these duties, the apparent shyness of many villagers in the presence of outsiders precluded many from volunteering their services. In addition, while the local manager and staff wanted to please the guests, the objectives of their work were unspecified. The controlling function, which is particularly important for effective strategy evaluation, was virtually non-existent. In fact, there was no attempt to establish performance standards, measure individual and

organisational performance, or compare actual performance to planned performance standards. Indeed, it is arguable that such activities would sit very uncomfortably with Fijian attitudes to life. However, although local management was very willing to address guest problems as they arose and take corrective action where possible, such actions were invariably reactive rather than proactive.

Marketing capability

Marketing can be described as the process of defining, anticipating, creating, and fulfilling customers' needs and wants for products and services (Kotler, Bowen & Maken 1998). It appears that FHP undertook marketing activities in only a superficial way.

The resort carried out no marketing research or customer analysis. No effort was made to determine the demographic profile of visitors, their origins, their motives for coming to FHP, their expectations of their stay, or how they came to know about FHP. The only record of visitors' names and addresses was that entered into the visitors' book. Guests were asked to enter their names and addresses in the book and to provide a comment on their holiday experience when they left the resort, but in preparing for their departure many did not do so. This may reflect self-absorption, forgetfulness or reluctance to express negative feelings openly in visitors' books—though they are likely to be relayed to family, friends and work colleagues after the visitors return home. As a consequence, operators remain unaware of problems and are thus unable to formulate or implement strategies to ensure negative experiences are not repeated.

The prices charged by FHP were relatively high, especially in comparison with the superior amenities offered in most of the medium and budget priced properties throughout Fiji (Fiji Visitors Bureau 1997: 124). A 'surf' of the web by the researchers suggested that these lower priced accommodation providers often had superior 'in-house' features, with convenient access to attractive environments and cultural and heritage sites. The relative lack of facilities is given a positive spin in the marketing of FHP ('stress hasn't arrived here yet'), but rival properties combined seclusion and relaxation with greater comfort and more amenities. Further, the physical environment of FHP did not compensate for such disadvantages. There was no adjacent sandy beach, no pool, no ocean vistas and no garden walks within the boundaries of the property.

Although FHP published a coloured brochure, which provided some details and photographs of the property, it was not widely distributed by management and was not to be seen at the tourist information brochure racks in Fiji's airports, hotels, shops or tourist offices. It was not even available at the tourist information office in Savusavu. In short, among travel agents in Fiji, let alone outside Fiji, awareness of FHP was minimal. Nevertheless, FHP is listed in the Lonely Planet Travel Guide and has been publicised on the Getaway Programme on Australian television, and on 'News Travel Network' associated with 150 broadcast stations in the USA. The most important form of marketing, though, was on the internet, where its web site provided comprehensive information on FHP's mission, meals, possible guest activities, prices and transfers, even suggesting the ideal length of stay, appropriate clothing and which personal items guests should bring to the resort. Pictures of local villagers, the rainforest and the beach were also included.

The web site provided readers with a contact number—the office of the Australian partners in the inland town of Young in New South Wales, Australia! Once a booking was confirmed, the Young office made contact with a village near Raviravi, which has a telex machine, and a messenger then conveyed information of arrival dates, numbers and proposed length of stay to the local manager of FHP in Raviravi. The Young office also sent money to the local manager for provisions from Savusavu, including food, oil for lamps, groceries, tea, coffee and so on.

FHP relied almost exclusively on the internet and word of mouth for its publicity. While this is not by definition inappropriate in marketing such a small property, there were problems in the approach taken. In some respects, the information given in the web site was misleading. For example, the impression was given that FHP was much bigger, and closer to the beach, than was the case. (Operators should guard against misrepresentation, which can lead to guest disappointment. Certainly, when the researchers arrived at FHP, they felt the web site to have been misleading.) At the same time, it was also overloaded with other information, which could only be accessed after many clicks of the mouse. Finally, the web site was not hot-linked to other sites, such as 'Fiji'. In other words, unless you already knew about it, only by serendipity would you arrive at the FHP web site—a paradise well hidden, so to speak. Needless to say, this put FHP at a considerable disadvantage relative to other accommodation providers in Fiji. Equally unfortunately, the

web site failed to emphasise the more positive community aspects of FHP: the 'cultural' attractions derived from staying at the lodge, and the fact that the villagers had a stake in its operation. In this way it failed to attract the notice of the searcher who may genuinely have preferred the kinds of attractions it offered.

As a marketing device, the name of the property was inappropriate. The name Savusavu means 'Fiji's hidden paradise' and there already exist both a Fiji's Hidden Paradise Guesthouse and a Fiji's Hidden Paradise Marina in Savusavu town. Also the word 'Resort' implies a more substantial product (perhaps with tennis courts, swimming pool, bars etc.). In fact, the authors recommended a name change to 'Raviravi Village Ecolodge', which would have identified the location of the facility, providing at the same time a direct indication of its relationship with the village. In addition, the term ecolodge is more accurate than resort and has positive associations for those drawn to ecotourism. However, FHP management chose not to act upon the advice.

As one drove towards the resort, there was no signage indicating FHP, either along the road from Savusavu or at the turn-off to Raviravi village, nor was there a sign at the property itself. Indeed, the road carried very little tourist traffic and the lack of signage rendered the property relatively unknown even to local Fijians. An alternative means of travel, convenient but not publicised by FHP in its brochure or on the web, was the local bus from Savusavu to the Raviravi turn-off. The journey takes four hours, stopping off at numerous villages along the way. While somewhat tiring and uncomfortable for some travellers, especially if they had just flown into Fiji, the bus would have been very favourably regarded by others, as it offers a splendid opportunity to interact with locals, and the single journey to and from the resort cost only F\$5.00!

FHP did not explore the potential for marketing collaboration with other tourism operators in Vanua Levu or elsewhere in Fiji. There was some potential for strategic alliances with tour operators based in Savusavu to schedule one or two nights at FHP for visitors, or even a lunch stopover as part of a one-day sightseeing excursion. There was also potential for FHP to develop package holidays in collaboration with accommodation providers in Savusavu. To fulfil this potential, staff at FHP needed to become more aware of visitor needs. No effort was made by any of those involved to understand these needs.

Financial/accounting capability

A healthy balance sheet is often considered to be the single best measure of a firm's competitive position and overall attractiveness to investors, and if successful strategies are to be formulated, an organisation's financial strengths and weaknesses must be understood. Indeed, financial factors often alter existing strategies and change implementation plans (Johnson & Scholes 1997: 141; Thompson & Strickland 1999: 111).

The functions of finance/accounting involve three decisions, and relate to investments, finance and dividends (Van Horne 1974: 10). In fact, decisions about investment in FHP were taken in the absence of a business plan or marketing plan. The Australian partners were less interested in seeking the most profitable investment for themselves than in attempting to contribute to the economic status and quality of life of the villagers. When interviewed, the partners emphasised they had set up FHP primarily to help villagers, of whom they had become fond, and to enable other travellers to experience what they themselves believed to be a piece of paradise hidden in Fiji. Decisions about how the project was to be financed, which in a larger firm would involve determining the most appropriate capital structure and include consideration of how the firm could raise capital, were somewhat short-circuited by the decision to take out a personal bank loan of F\$50,000. This arrangement, whereby the Australian partners were to pay off the loan using surpluses from the operations of FHP and then allocate one-third of all future profits to the village, comprised, in effect, the dividend decision.

The financial status of FHP was always extremely weak and the revenues generated from visitation totalled only around F\$10,000. Income was used to meet expenses, and any surplus used to reduce the debt incurred by the Australian partners. Until this debt was repaid, the village would have experienced very little revenue injection.

As a result of FHP's poor financial performance, the village received few economic benefits, a concern expressed by elders to the researchers. In fact, until its closure, revenues flowing to the village were solely from sales of produce and seafood to FHP and from wages earned by the manager, two cooks, food-server and guide. These were, of course, paid only when guests (in any number) were present, and as the daily wage for food-servers and guides was F\$5, the cooks F\$6 each, and the manager F\$7, a maximum of only F\$29 per day went into the village community. Wages were constant from 1995 until closure of the Ecolodge in late 1999.

Some idea of income to the village can be estimated by disaggregating items purchased to meet visitor needs according to source. Using a breakdown of costs provided by FHP's manager, and assuming a family of three visited the resort for five days, their total expenditure (at F\$320 total per day) is F\$1650.

Table 1 Pattern of expenditure injection associated with FHP, for three persons and five nights

items purchased	total (F\$)	revenue flows (F\$)	
		to Savusavu	to village
fish/seafood	17	2	15
meat (chicken/beef)	29	19	10
groceries	100	100	
fruit/vegetables	7		7
boat (per trip)	10	10	
fax	6	6	
wages (F\$29.00 day)	145		145
total	\$314	137	177

Of the injection of F\$1650 to FHP, F\$137 was spent in Savusavu to service guest needs, F\$177 went into the village, and the remaining F\$646 went to pay off the loan. Eventually, after (if) the loan was repaid, the village was to receive an additional F\$550 from the family visit (i.e. one-third of F\$1650). While these are not large sums compared with larger hotels, they do represent a relatively sizeable addition to village income. However, even after repayment of the loan, (which did not eventuate) the low level of visitation would have left inadequate funds available for necessary maintenance and refurbishment of FHP.

While there is limited scope for 'import substitution', visitor spending opportunities could have been expanded to increase revenue received by the village. However, guests were given few further opportunities to spend money. There was no shop selling drinks, T-shirts, artefacts, handicrafts or even postcards, and villagers showed no inclination to explore these opportunities even though they were worried about the low revenues expected from the venture and the small proportion of villagers who would benefit directly.

Finally, while the infrastructure of FHP may be regarded as an asset, it had no resale value for any purpose other than as an ecolodge. Foreigners,

no different from locals in this respect, cannot purchase native land in Fiji and there was no apparent alternative use for the site. It is likely that the facilities will now be used as additional housing for villagers.

Human resources capability

It is recognised that international tourism places increasing pressure on hospitality firms to deliver quality experiences to customers (Berry & Parasumaran 1991: 136) and that the ability to provide good service depends largely on the training of their staff. Indeed, the need for trained staff in the tourism industry generally has been identified as a high priority area (Ritchie 1992) and, increasingly, service quality is seen as an important determinant of destination competitiveness (Crouch, & Ritchie 1999). However, although staff 'selected by our Fijian manager' were accurately described on the web site as 'friendly', 'flexible' and possessing 'a good sense of humour', none had been trained in customer service! The local manager had indeed previously worked elsewhere in Fiji as a waiter in a hotel, but had received only a high school education, and neither he nor any other member of staff possessed any formal qualification in hotel management. They were indeed honest, friendly, religious, family-oriented people, living (by western standards) an extremely simple life. And they were courteous and hospitable to visitors, whom they treated as 'honoured guests' in their own home. However, while these characteristics—of staff and other villagers—greatly endeared them to visitors to FHP, the quality of service that modern tourists expect is such that it is probable that the unsophisticated type of service on offer at FHP would not appeal to more than a minority of travellers.

Production/operations

The production/operations function of a business consists of all those activities that transform inputs into goods and services. The operations function comprises such activities as purchasing, sanitation, safety, quality control, menu placing and employee scheduling, as well as being concerned with labour and food costs (Olsen, Tse & West 1998: 256, 257).

The construction of the *bure* reflected little thought about visitor needs. One *bure*, for instance, had three double beds. While this could be regarded as 'six-person accommodation', it also suggests that 'visitor perceived' capacity would be reached in this *bure* if only one couple is accommodated. This issue was raised by the executive members of a bicycle club, who had

initiated (and later ceased) discussion with FHP on the possibility of overnight accommodation for cyclists.

Compared with other resorts, the operations of FHP were very informal. Purchases of food and other items took place only when the local manager was advised that guests would be arriving. Knowledge of sanitation was basic, there was no awareness of government health regulations or standards, and there was little understanding of occupational health and safety procedures. For example, the boat carried no life-jackets, and there were no contingency plans to respond to the needs of guests requiring urgent medical attention. Menu planning consisted mostly of asking guests about their food preferences. Employee scheduling consisted of having the staff attend to three meals per day, while the manager made himself available to discuss guests needs and arrange the services of the guide.

The external environment of FHP

An organisation's *external environment* consists of all the conditions and forces that affect its strategic options but are typically beyond its control. They relate to economic, social, cultural, demographic, environmental, political, legal, governmental, technological and competitive trends and events that have some impact on the way the firm does business and present both opportunities and threats to the firm's operations. It is useful to regard the external environment of an organisation as comprising two interactive and interrelated contexts, the remote environment and the industry environment. The remote environment comprises those forces and events outside the industry that affect a firm's business operations, and the industry environment those forces and conditions within a specific industry and a specific competitive operating situation (Johnson & Scholes 1997: 89; Tribe 1999: 158).

The remote environment

The four most important factors in the 'remote' environment of FHP influencing its operations were the political/regulatory context, and the economic, sociocultural and technological contexts.

First, the increasing global interdependence among economies, markets, governments and organisations makes it imperative for firms to consider the possible impact of political variables on the formulation and implementation

of competitive strategies. As for any industry, tourism must be seen in a context of government policies and regulations, within a legal system that affects its rate and directions of development.

Historically, financial returns to investors in Fiji's accommodation sector have not been high and there has been a general lack of institutional investor confidence in the country. However, the closing years of the 1990s saw a dramatic improvement in the investment climate and in investment procedures. The abolition of a withholding tax, for instance, made it easier for both Fijians and foreigners to invest in the tourism industry. But at the same time, such measures lowered entry barriers for potential rivals to small enterprises such as FHP (Fiji Visitors Bureau 1997: 104).

Land ownership issues and the inadequacy of physical design controls have impeded the development of attractive resort centres in Fiji and have undermined the nation's competitiveness in the marketplace. However, the Government of Fiji has encouraged the development of Tourism Development Areas, with the object of reflecting Fijian style and character in design and adding value to the local tourism product. It has also revised outmoded and inappropriate development guidelines of various kinds, including planning legislation, building controls and guidelines for architectural landscape design and site planning, and hotel design (Ministry of Transport and Tourism 1998: 28).

In addition, the Government of Fiji has recently explicitly recognised that well developed and well managed community-based tourism projects, in rural areas that are relatively easily accessible to major tourist resort areas, can provide substantial benefits to participating villages. Such projects can also have a significant educational impact on villagers, enhancing their awareness of public hygiene, the benefits of teamwork, and general business practices (Ministry of Transport and Tourism 1998). At the time of writing, however, Vanua Levu had no designated Tourism Development Areas and, in any case, the location of FHP and its parlous management practices rendered it unable to benefit from such government initiatives.

More generally, such initiatives require the support of many different departments in the public sector and various private sector organisations. Typically, the level of cooperation among government agencies themselves, and between the public and private sectors, is less than ideal, and thus presents barriers to tourism development (Ministry of Transport and Tourism 1998:

11). In such circumstances, such small accommodation providers as FHP seem to have been particularly disadvantaged.

Secondly, a firm's strategy can be affected by the economic environment in several ways (Lenz 1986) as it may influence outbound tourism and the market share of particular destinations. Fiji has a relatively broad base of tourist origin markets. In 1997, Australia provided the largest proportion of visitors to Fiji (29%), followed by New Zealand (21%), North America (11%), the United Kingdom (8%) and Japan (8%) (Fiji Visitors Bureau 1997: 1). Fiji, though, faces considerable competition from other island destinations, and a small enterprise such as FHP, with no strategic alliances with tour operators, inevitably finds it difficult to obtain package tourists (for example, from Japan and South Korea) and experienced travellers requiring a high standard of comfort in their accommodation.

Exchange rate changes also affect both outbound tourism and destination market share. The Asian currency crisis, which began in 1997, had led to a fall in visitors to Fiji from the previously buoyant Korean market. Given its customer profile, FHP was perhaps less affected by this reduced visitation from Asian countries.

Thirdly, social, cultural and demographic changes have a major impact upon virtually all products, services, markets and customers. They shape the way people live, work, play, produce and consume. New trends in tourism are creating a different type of consumer and, consequently, a need for different products, services and strategies (Poon 1991). Many of Fiji's competitors also offer sun, sand and sea holidays. While Fiji has some world-class accommodation facilities, scattered throughout its islands, there is also much that needs updating to meet the aspirations of the international traveller, whether from such short-haul markets as Australia and New Zealand, or from longer-haul markets for which it is, perhaps, even more important to live up to the image of a tropical island paradise. An estimated 16% of Fiji's accommodation sector is in need of refurbishment (Ministry of Transport and Tourism 1998: 27).

Over the last decade, the growing popularity of ecotourism has provided excellent opportunities for the greater participation of indigenous communities through the development of tourism activities, using their natural and cultural resources and traditions (Fiji Visitors Bureau 1997: 27). However, the tourism sector in Fiji has not yet fully capitalised on this opportunity.

Finally, technological forces represent major opportunities and threats that must be considered in formulating strategies (Poon 1993). Technological change can, *inter alia*, create new markets, change relative cost positions in an industry, reduce or eliminate cost barriers between businesses, create shortages in technical skills, change values and expectations of employees, managers and customers, and create new competitive advantages. The internet can provide marketing opportunities to businesses of all sizes.

In particular, air transport is critical to the Fiji tourist industry. Unfortunately, the development of larger, longer-range, more fuel-efficient planes has resulted in a steady reduction of stopover services to Fiji. At the time of writing, the fact that Fiji has only three foreign carriers (Qantas, Air New Zealand and Korean Air) operating from major source markets is an impediment to tourism development. Of these carriers, only Air New Zealand undertakes any significant marketing of Fiji in Europe.

The industry environment of FHP

To a large extent, the conduct and performance of firms depends on the overall structure of the industry in which they are situated (Porter 1980, 1990; McGee 1988). It is therefore useful to consider the industrial context within which FHP operates. Five forces condition the conduct and performance of constituent firms in that context: the threat of entry of new competitors; the threat of substitute products; the bargaining power of buyers; the bargaining power of suppliers; and rivalry among existing competitors (Porter 1990). The balance of these forces determines the attractiveness of the industry and the potential for superior financial performance, as expressed in prices, costs, and the level of capital investment—the basic elements of return on investment. For example, buyer power and the threat of substitute products or services influence the prices a firm can charge and hence the expected returns on investment. As noted earlier, the threat of loss of business to other countries affects prices charged in Fiji's accommodation sector. The power of suppliers determines the costs of inputs and hence influences the prices charged. Rivalry will determine price levels in the marketplace and (possibly) costs and investment levels through continuing product development or advertising. The threat of entry places a limit on prices and shapes the investment required to deter entrants. In short, the strength of the competitive forces is a function

of the industry's structure and reflects the underlying economic and technological characteristics of the industry (Ambrosini, Johnson & Scholes 1998: 56).

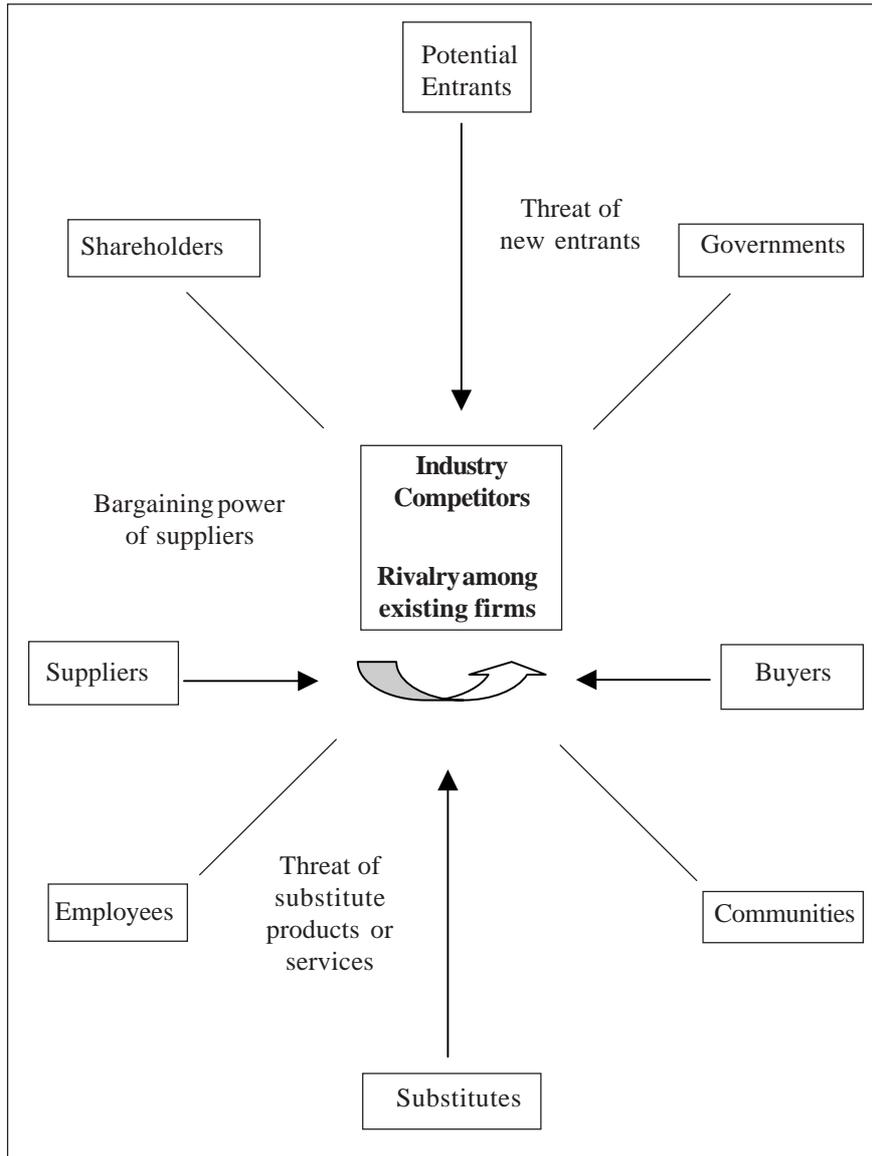
A firm's operating environment may best be considered through an analysis of its attempts to meet the challenges and (often competing) demands of its stakeholders, which help fashion the industrial context in which it conducts its business. It is increasingly recognised that competitive advantage can be sustained only if the challenges and demands of stakeholders are met (Lewis 1990: 27). Sustained superior performance, the focus of strategic management, will thus be achieved only if managers ensure that the six major constituencies of the organisation are served: customers, suppliers, employees, the community, shareholders and the government.

Figure 1 represents a competitive force model, recognising the importance of stakeholders in fashioning a firm's operating environment. Consumers want novel, high-quality low-price products and services. Suppliers expect honest, fair treatment and often anticipate long-term relationships that will benefit their buyers and themselves. Employees have a right to seek reasonable levels of compensation, opportunity, safety and security. The community looks to the organisation as a source of economic vitality and expects it to operate with 'appropriate' product, safety and environmental standards. Shareholders expect to see their wealth increase at a rate reflecting their capital risks. Governments expect firms to contribute to broadly defined economic goals, including the maintenance of a suitable rate of (national or regional) economic growth.

Threat of entry. Whenever new firms can enter an industry easily, competition among firms increases. New entrants may stimulate more price competition or more investment in product differentiation (Tribe 1999: 159). The degree to which new entrants threaten established firms will depend on such barriers to entry as economies of scale, capital, experience, customer loyalty, anticipated entry wars, product differentiation barriers, potential saturation of the market, and government regulatory policies.

Returning to the case of FHP, it would seem that there is little to preclude entry by another lodge or guesthouse in opposition to FHP, in or near Savusavu or elsewhere on Vanua Levu. In 1996, the Jean-Michel Cousteau Resort opened in Savusavu, with direct beach access, a restaurant and bar area, and

Figure 1 The operating environment of a tourism firm



Source Adapted from Porter, 1980: 4.

a concentration on water-based activities. While this type of property is likely to appeal to a different clientele than that of FHP and can be described as more 'up-market', its more favourable location and superior facilities may well have attracted visitors to the island who may otherwise have stayed at FHP.

The power of suppliers. Suppliers of inputs have a key impact on prices and quality, and the greater their power, the lower the margins are likely to be. As elsewhere, small accommodation providers in Fiji are heavily disadvantaged relative to larger resorts, which have close links with airlines and tour wholesalers in the areas of package tourism and collaborative marketing. The power of suppliers was further reflected in the reluctance of travel and tour operators on Vanua Levu to include FHP in the various packages they promoted. Industry sources suggest that one reason for this reluctance was a lack of confidence in the ability of FHP to deliver a quality tourism or recreational experience, even when asked to provide lunch on sightseeing itineraries.

The power of buyers. The bargaining power of large customers, those who buy in bulk, or who make up a major part of the market, can have a crucial impact on competition in an industry. However, Vanua Levu is isolated, even within Fiji, so there was no large concentration of customers in the operating environment of FHP. As a consequence, like other small operations, FHP was obliged to aim at independent rather than group travellers. In addition, buyers know relatively little about Vanua Levu's attractions or the types of holiday experiences on offer. They are free to choose between different holiday experiences and different accommodation providers, and tourists are increasingly demanding high-quality service and value for money—especially in ecotourism ventures in the region. Australian tourists seeking ecotourism experiences, for instance, are reportedly upwardly mobile, university educated, independent and individualistic, and have generally researched their travel destination well (National Ecotourism Strategy 1994: 37). As indicated earlier, even in its target market, FHP had less appeal than such a property as the Cousteau Resort.

Threat of substitute products. In many industries, firms compete with producers of substitute products, and competitive pressures increase as the prices of substitute products decline. Indeed, the competitive strength of

substitute products is best measured by the inroads such products make into market share, as well as those firms' plans for increased capacity and market penetration. However, over the past decade there appears to have been little competition among Fiji resorts and few new entrants into this sector of the tourism industry. This has added to the perception in the market place that there is little new in Fiji, and because there have been so few new entrants, there has been no stimulus for established resorts to improve or compete for the best staff. In fact, it has been argued that standards of service in Fiji have tended to deteriorate (Ministry of Transport and Tourism 1998: 105). The development of such ecolodges as FHP, with such basic facilities and service, simply reinforces these perceptions.

Competitive rivalry. Rivalry among competing firms tends to increase as the number of competitors increases, and will be greater if entry barriers are low, if competitors become more equal in size and capability, if demand for the industry's products declines, and if price cutting becomes common (Johnson & Scholes 1997: 113). It is thus to be expected that competitive rivalry among accommodation providers in Fiji will depend on the future development of inbound tourism. More generally, as Butler suggests, competitive behaviour is crucially influenced by market conditions between the growth and maturity stages of a destination region (1993: 27).

Where markets are expanding, an organisation might expect to grow by maintaining its market share, whereas in mature markets firms are more likely to grow at the expense of their rivals. Despite the 2000 coup and the degree of subsequent uncertainty, if tourism in Fiji does expand, as anticipated in the 1998 National Tourism Development Plan (Ministry of Transport and Tourism 1998: 107), existing and new firms can grow together. However, if tourism does not grow, increased rivalry is likely to occur among accommodation providers. Then profits will decline, sometimes to the point where further participation in tourism becomes inherently unattractive. To some extent this has already occurred following the worldwide tourism downturn occasioned by terrorism and other events in the past three years.

A growing number of FHP's former competitors have entered into economically beneficial collaborative arrangements to extend the activities and the facilities they are able to offer their guests. The result is an increased quality and level of satisfaction of guest stays and higher economic returns

for the resorts involved, flowing on to an enhanced possibility of repeat visitation and favourable recommendations to other prospective visitors. Despite such threats to their own position, however, the management of FHP seemed oblivious of the activities of competitors.

The previous sections, which have focused on FHP's operating environment, indicate the extent of stakeholder disappointment in the venture. Clearly, the government of Fiji was a stakeholder in FHP, committed as its rhetoric is to supporting Tourist Development Areas reflecting Fijian style and design, and adding value to the Fijian tourism product. However, although committed to giving support to community-based tourism projects, the government is explicitly concentrating on those that are 'well managed' and 'relatively easily accessible to major resort areas' (Ministry of Transport and Tourism 1998: 24). From the viewpoint of another key stakeholder, the village community, which held shares in the resort, FHP provided neither the expected employment, nor the anticipated funds for community projects. Even the Australian partners did not receive the expected financial return. The analysis here of FHP's internal environment draws attention to many of the reasons for stakeholder disappointment.

Conclusions

This paper has highlighted the different types of environment in which business firms formulate strategy and has used FHP as a case study, arguing that failure by FHP to conduct audits of its internal and external environments contributed to its demise. Had the operators of FHP taken a more 'hands-on' approach and actively managed the resort, closure might have been averted. The concept of a philanthropic initiative such as FHP, combined with a management philosophy of letting the benefactors run the resort as part of their normal everyday activities, was admirable, yet such a strategy was clearly a major contribution to the resort's failure. Philanthropy or no, if tourism operators are to maintain competitive advantages they must carefully distinguish the elements of the different business environments.

It has been argued that the external environment of any organisation can be usefully conceptualised as comprising two interactive and interrelated contexts: a remote environment and an industry operating environment. For FHP, elements of the former were classified into political, regulatory, legal, economic, sociocultural and technological types. While at any given time many

of these are outside of a firm's control, some can be influenced. As for the industry operating environment, individual organisations must have a good understanding of the overall industry and the conduct and performance of other firms, if they are to formulate winning strategies. Again, it was found that many of these elements were beyond the control of an individual firm, especially such small companies as FHP. Nevertheless, sound strategy formulation involves tailoring strategic choices to the competitive situation within which the firm operates. Had the requisite internal and external audits been conducted, and appropriate strategies implemented, the ecolodge may have proved viable.

FHP's internal environment was depicted as involving important functional areas of business capability, including administration, marketing, financial skills, human resources, and production and operations. Identifying and evaluating these organisational strengths and weaknesses in the functional areas of business is essential in the strategic management process. Organisations try to capitalise on internal strengths and reduce internal weaknesses, and such nature-based tourism operations as FHP also need to monitor the consistency of their strategies in line with some criterion of 'sustainable tourism'. In common with many other tourist ventures in small island nations and microstates, FHP was a small company but, like larger hospitality firms, it needed to monitor its external and internal environments to increase visitor numbers and its income.

More generally, it would be useful to ascertain how far tourism-related organisations in different sectors of the industry, and in different destinations, undertake environmental audits as part of their process of strategy formulation, and against specific criteria of 'sustainable development'. It is perhaps likely that such an analysis would reveal an emphasis on internal capabilities hand-in-hand with a tendency to neglect the remote and operating environments. Despite this, however, firms that have a comprehensive understanding of the opportunities and threats facing their operations, as well as internal strengths and weaknesses, are better placed to achieve and maintain competitive advantage in an industry subjected to rapid global change.

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Texts and Violence, Lies and Silence
Anthropologists and Islanders 'Negotiate the Truth'

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In this essay a social scientist critically examines the construct of Fijian knowledge and compares it with the sociological and anthropological knowledges constructed by outsiders. What does silence mean? When is a lie not a lie? What are the obligations of foreign social scientists to locals when it comes to political development?

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