

BUSINESS ETHICS OF TOUR OPERATORS FOR SUPPORTING SUSTAINABLE TOURISM DEVELOPMENT AND ITS DETERMINANTS: A CASE OF THAILAND

Rugphong Vongsaraj

Graduate School of Tourism Management National Institute of Development Administration

Abstract

This research aims to measure the awareness and the performance of tour operators (TOs) regarding sustainable tourism development (STD) ethical behavior and to explore the characteristics of TOs affecting their STD ethical performance. Qualitative data was obtained from interviews with stakeholders and quantitative data collected from a survey of 130 tour operators in Chiangmai and Phuket provinces to answer the research objectives. The results reveal that the tour operator have awareness of STD ethical behaviour at a rather high level but their performance regarding STD ethical behaviour was at a moderate level. In addition, the study found a statistically significant difference between their awareness and performance. The value of registered capital is the only variable that has a significant effect on TOs' STD ethical performance. Furthermore, several policy recommendations for closing the awareness gap and implementation gap were drawn in this study.

Key words: business ethics, tour operator, sustainable tourism development

บทคัดย่อ

งานวิจัยนี้มีวัตถุประสงค์เพื่อประเมินระดับความตระหนักและผลการดำเนินการของธุรกิจจัดบริการการท่องเที่ยวตามแนวทางจริยธรรมเพื่อการพัฒนาการท่องเที่ยวที่ยั่งยืนและศึกษาปัจจัยภายในของธุรกิจจัดบริการการท่องเที่ยวที่มีผลต่อผลการดำเนินงานตามหลักจริยธรรมดังกล่าว การศึกษานี้ใช้ข้อมูลเชิงคุณภาพจากการสัมภาษณ์กลุ่มผู้มีส่วนได้ส่วนเสียของอุตสาหกรรมการท่องเที่ยวและใช้ข้อมูลเชิงปริมาณจากการสำรวจธุรกิจบริการการท่องเที่ยวจำนวน 130 ราย ในจังหวัดเชียงใหม่และภูเก็ต ผลการศึกษาพบว่าธุรกิจจัดบริการการท่องเที่ยวมีความตระหนักต่อจริยธรรมในระดับค่อนข้างสูงและมีผลการดำเนินการตามหลักจริยธรรมดังกล่าวในระดับปานกลางและพบว่าระดับความตระหนักมีความแตกต่างจากระดับขีดความสามารถในการดำเนินการอย่างมีนัยสำคัญทางสถิติ นอกจากนี้ผลการศึกษายังพบว่ามูลค่าทุนจดทะเบียนของผู้ประกอบการธุรกิจจัดบริการการท่องเที่ยวเป็นปัจจัยภายในของธุรกิจเพียงปัจจัยเดียวที่มีผลต่อผลการดำเนินงานทางด้านจริยธรรมของผู้ประกอบการธุรกิจจัดบริการการท่องเที่ยว

คำสำคัญ: จริยธรรมทางธุรกิจ, ธุรกิจจัดบริการการท่องเที่ยว, การพัฒนาการท่องเที่ยวที่ยั่งยืน

INTRODUCTION

The tours industry has played a crucial role for Thailand's economic development; contribution to job creation, export revenue generation, and the engine of local development. However, it is broadly acknowledged from tourism development in the past that those gains have normally imposed cost to society in several aspects; for example, envi-

ronmental erosion and radical change in local community ways of living. Thus, the tourism industry needs thoughtful planning and managing of development in ways that provides benefits to all parties.

The World Tourism Organization (2001) has defined sustainable tourism development (STD) as "Tourism that takes full account of its current and future economic, social and environmental im-

acts, addressing the needs of visitors, the industry, the environment and host communities". To attain the STD, the collective participation of key stakeholders in the tourism industry is essential; the key stakeholders include tourists, tourism attraction organizations, tourism service providers, local community, national and local public administration, and tour operators.

Within tourism industry structure, tour operators (TOs) still play influential roles (Budeanu 2005) in promoting or ignoring STD to both backward and forward stakeholders in the tourism supply chain (see Figure 1). These influential roles evolve from many factors including; (1) asymmetric information between TOs and tourists, (2) economies of scale from purchasing tourism related services at a high volume or in the long-term contract, (3) high bargaining power of TOs over the services providers. From the role of TOs described above, it can be concluded that TOs is certainly a key player in promoting and mobilizing STD.

In order to utilize TOs as a vehicle for promoting STD, the initial key success factor should be present. The primary condition is the business ethics of TOs regarding the concept of STD (Fennel & Malloy 1995; Karwacki & Boyd 1995). Therefore, it is vital to explore the business ethics of TOs and to figure out the determinants of their ethical behavior in order to draw up a correct and effective strategy for promoting STD ethical behavior of the TOs. Thus, this research has two objectives; (1) to measure the awareness and application of TOs regarding STD ethical behavior and; (2) to explore the internal factors of TOs affecting STD ethical behavior. The researcher selected Chiangmai and Phuket as the geographical area for the study because both destinations represent popular tourism destinations of Thailand. Although tourism products of Chiangmai (Culture and Mountainous Nature) and Phuket (Entertainment and Coastal Nature) are different, both group of tourism products are the core tourism products of Thailand. Moreover, there are significant numbers of local tour operator firms located in both areas.

LITERATURE REVIEW

Sustainable Tourism

Since the World Commission on Environment and Development (1987) gave the meaning of sustainable development as "*a process to meet the needs of the present without compromising the ability of future generations to meet their own needs*" in its report, the concept of the sustainable development has been used extensively in almost all branches of development. For example, the World Tourism Organization: WTO (2001) has defined sustainable tourism as "*Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities*". Although the definition is sufficiently flexible to allow a variety of approaches and interpretations of the concept (Cernat & Gourdon 2007), the diversity in views has led some scholars to question its utility (Middleton & Hawkins 1998). However, in general, it can be interpreted that this definition emphasizes the balance of tourism development in three dimensions including; 1) current and future development opportunity; 2) economic, social, and environment impacts; and 3) the impact to all stakeholders in the tourism supply chain.

More recently and specifically, the United Nations Environment Program: UNEP (2005), enacted 12 objectives of sustainable tourism development (STD) as follows; economic viability, local prosperity, employment quality, social equity, visitor fulfillment, local control, community well-being, cultural richness, physical integrity, biological diversity, resource efficiency, and environmental purity. Furthermore, several international organization have defined and set indicators for measuring sustainable tourism development (Eurostat, 2006; ONS, 2011; NWTO, 2004)

Tour Operators and Tourism Sustainability

Weaver and Oppermann (2000) demonstrated that tour operator business is rather similar to travel agency because they both sell tourism products directly to the tourists. However, Page (2003) ar-

gued that a tour operator is different from a travel agent in that tour operators mix the individual tourism services and sell it as a tourism product for the price that cover all elements.

In the tourism supply chain as shown in figure 1, tour operators play crucial roles in mobilizing sustainable tourism development. Budeanu (2005) clearly stated the significant potential of tour operators (TOs) to influence a large number of customers for several reasons include; (a) the majority of international travellers continue using tour operator services; (b) bargaining power over service providers from its large scale and bulk purchasing order; (c) its ability to save time and money for travellers compared with the case that they arrange all elements in the tour package by themselves; (d) function of linking or matching supply with demand for tourism enable TOs to have superior information and ability to forecast market trends.

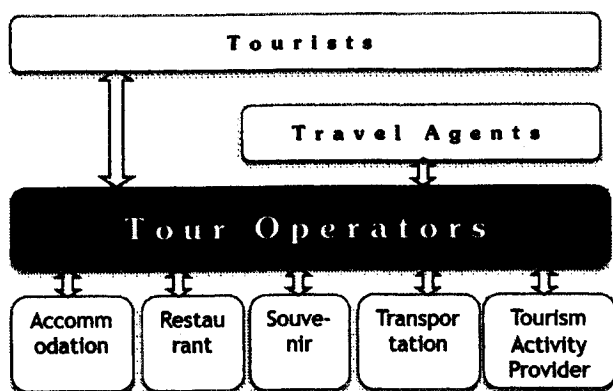


Figure 1: Tour operator in the Supply Chain
Source: Author

The emergence of Tour Operators' Initiative (TOI) is evidence of the awareness of the leading TO firms that have clear strategy and action in promoting sustainable development (TOI, 2003). The TOI has progressively executed its effort in promoting capacity building, the engagement of tour operators to the sustainable tourism development (UNEP 2005), the knowledge transfer from best practice to other TOs (TOI 2003), and the improvement in tourism supply chain management according to the concept of sustainable development (TOI 2004) (Schwartz et. al., 2008).

Tour Operators Business Ethics and Its Determinants

In general, business ethics is the accepted way of conducting business for promoting fairness, and maximizing benefits to society (Schermerhorn 2008). In the tourism industry, WTO (2001) has published a global code of ethics for tourism which consists of 10 principles, and many organizations have released documents regarding ethics in the tourism industry with the focus on tour operators in certain areas. For example, Tearfund (2001) revealed the experiences of 65 U.K. based tour operator in practicing responsible business and World Wildlife Foundation (WWF 1999) published the code of conduct for tour operators in the Arctic.

Hultsman (1995) investigated the literature on tourism and ethics. He categorized tourism ethics into 5 general categories, ecological issues, marketing issues, sustainable development issues, humanistic and social issues and tourism education issues. As these 5 categories of tourism ethics are not firmly related to sustainable tourism development, Fennell and Malloy (1999) classified tour operator ethics into 3 categories; economic, social and ecological scenarios.

Regarding the determinants of tourism operators' business ethics, Fennell and Malloy (1999) employed a multidimensional scale to measure the ethical nature of tourism operators and to test the difference between ecotourism, adventure, fishing, cruise-lines and golf operators. The research results revealed that ecotourism operators has the highest score followed by adventure, fishing, cruise and golf operators. However, the definition of tourism operators in their study is not clear as to whether they are the tour operators or tourism service providers.

DATA AND METHODOLOGY

This research employs both qualitative and quantitative data. The quantitative data is obtained from the questionnaire distributed to all Thai tour operators located in Chiangmai and Phuket; 130 questionnaires were returned and used to perform quantitative data analysis. The questionnaire con-

sists of 3 parts; firm information, the awareness level of firm on the STD ethical behaviors (economics, social, management, and environment aspects), and their performance on those STD ethical behaviors (5 scales interval questions).

To attain the research objectives, the data from the survey was analyzed with descriptive statistics, including frequency, percentage, arithmetic mean and standard deviation, to explore the TOs' characteristics, their awareness and performance toward STD ethical behavior. Inferential statistical analysis, namely, dependent sample t-test was used to test the significance of difference between awareness and performance toward STD ethical behavior. Moreover the independent sample t-test and analysis of variance (1-way ANOVA) were also used to investigate the influence of TOs' characteristics on their STD ethical performance.

In addition, to explain the quantitative analysis results and to draw up policy recommendations, this study also collected qualitative data from interviews with key stakeholders of the tourism industry in both provinces; including tour business, tourism service provider business (hotels, homestay, guesthouses, restaurants, transportation, souvenir shops, and tourism activity providers), community leaders, local government agencies, and regional government agency. The questions asked of the stakeholders are about their expectations and opinions on the roles of tour operator to promote STD.

RESULTS

Characteristics of Tour Operator Firms in Chiangmai and Phuket

Most tour operator firms in both provinces have multifunction roles in their business, such as, reserving hotel and air flights (same as the travel agent), developing and selling package tour to group tourists, and selling their own package tours to the individual tourists. The majority of them (91%) are owned by Thai, they mostly have registered capital of less than 5 million THB (82%), and employ less than 10 staffs. This implies that most of them are small business enterprises. However, 59% of them have experience of conducting this business for more than 5 years. As per their profitability rate, almost half of them are able to make profit of more than 10% from the sales revenue.

STD Ethical Behaviour Awareness and Performance

In general, the TOs reveal their awareness of the overall STD ethical behaviour at a rather high level ($\bar{x} = 3.41$). They are aware the ethics in aspect of environment at highest score ($\bar{x} = 3.59$), followed by social aspect ($\bar{x} = 3.58$), management aspect ($\bar{x} = 3.27$), and economic aspect ($\bar{x} = 3.22$), as shown in figure 2.

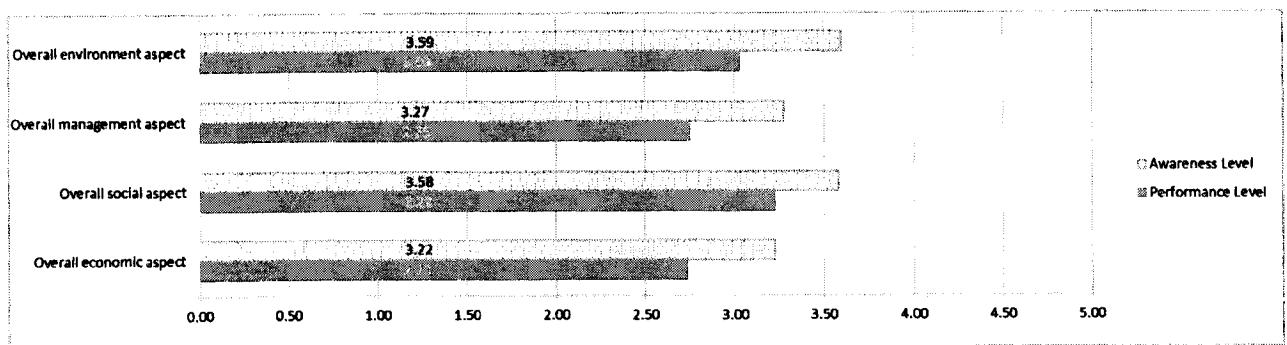


Figure 2: The Awareness and Performance Level of Tour Operators Toward STD Ethical Behavior

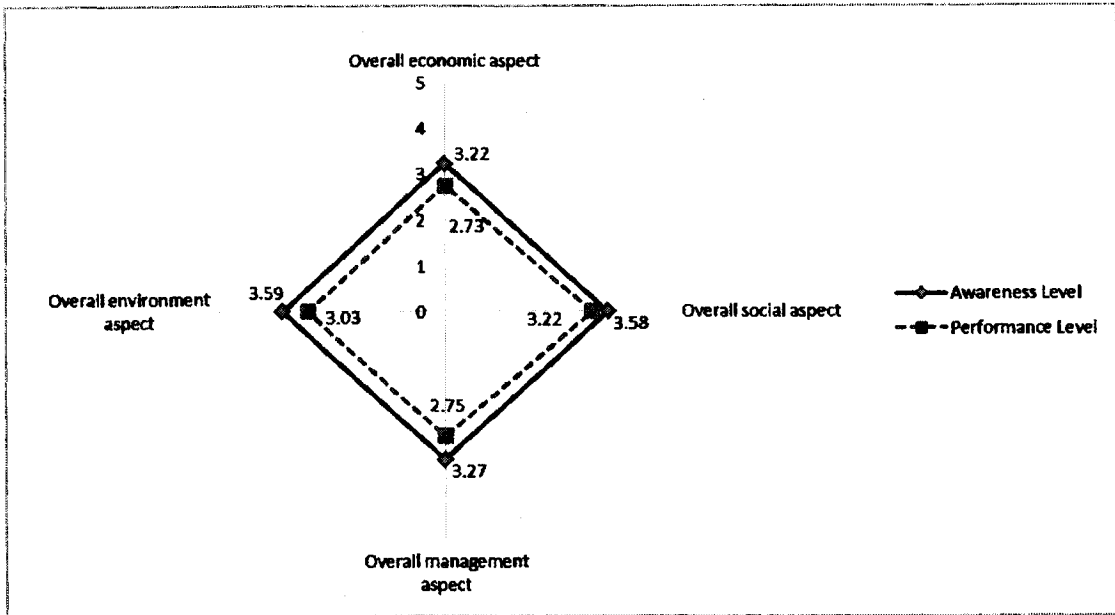


Figure 3: The Difference Between Awareness and Performance Level of Tour Operators Toward STD Ethical Behavior

Table 1: The One-Sample t-test for testing the Difference Between Awareness and Performance

STD Ethical Behaviour of TO	Awareness Level	Performance Level	dependent t-test statistics	Significant Value t-statistics
Economic	3.22**	2.73	7.60	0.00
Social	3.58**	3.22	5.11	0.00
Management	3.27**	2.75	7.10	0.00
Environment	3.59**	3.03	5.89	0.00
Overall	3.41**	2.93	7.00	0.00

** significant at 0.01 level

Regarding the performance of TOs toward STD ethical behaviour, they generally implement it at a moderate level ($\bar{x} = 2.93$). Among the 4 aspects of STD ethical behaviour, their performance on the STD ethical behaviour in social aspect ($\bar{x} = 3.22$) is the highest, compared to environmental aspect ($\bar{x} = 3.03$), management aspect ($\bar{x} = 2.75$), and economic aspect ($\bar{x} = 2.73$).

STD Ethical Behaviour Awareness and Performance gap

Figure 3 presents the difference between awareness level and performance level of TOs on all 4 aspects. Inferential statistics analysis was performed in order to verify significance of the differences. The results of 2-way hypothesis testing with one-sample t-test analysis as shown in table 1 suggests that awareness level toward STD ethical

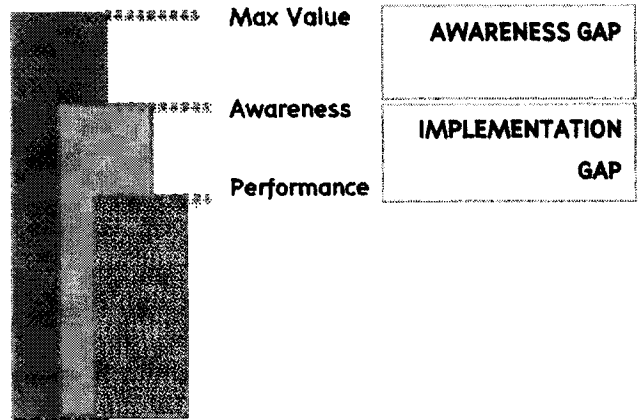


Figure 4: Awareness Gap and Implementation Gap of Tour Operator

behaviours of TOs in all aspects are significantly different from their performance level at statistically significant level of 0.01. Therefore, from figure 3 and figure 4, it can be concluded that the TOs have awareness gap and implementation gap.

STD Ethical Behaviour Determinants

Organization Size in Terms of Registered Capital

It can be seen from the results of the analysis of variance on table 2 that the size of TOs firms in terms of registered capital value affects their STD overall ethical performance and in the aspect of economics and environment. Further analysis for finding the significant difference of STD ethical performance between 3 size groups of TOs based on registered capital was performed and the results are shown in table 3.

From the results shown in table 3, it can be inferred that the TOs having registered capital of less than 1 million THB have significantly lower level of STD ethical performance overall and in the aspect of economic and environment compared to the TOs that have registered capital performance of higher than 5 million THB. Moreover, the TOs having registered capital between 1 and 5 million THB also significantly perform STD ethical behaviour less than those having registered capital of more than 5 million THB.

Table 2: The 1-way ANOVA Results of Testing STD Ethical Performance Among TOs with Different Value of Capital Registered

STD Ethical Performance of TO	Statistics	Statistics Value	df1	df2	sig
Economic	F-test ¹	5.833**	2	127	0.004
Social	F-test ¹	2.759	2	127	0.067
Management	F-test ¹	1.322	2	127	0.270
Environment	Brown-Forsythe ²	6.119**	2	126.12	0.003
Overall	F-test ¹	4.410*	2	127	0.014

¹the test for equality of variance (Levene's Test) reveal that TOs with different register capital have indifferent level of variance in their performance.

²the test of equality of variance (Levene's Test) reveal that TOs with different register capital have significant different level of variance in their performance.

* significant at 0.05 level

** significant at 0.01 level

Table 3: The Results of Testing STD Ethical Performance Among TOs with Different Value of Capital Registered

Registered Capital	X	Less than 1 million THB	1 - 5 million THB	More than 5 million THB
STD ethical performance in economic aspect (tested with LSD)				
Less than 1 million THB	2.50		-0.36* (0.016)	-0.58** (0.002)
1 - 5 million THB	2.86			-0.22 (0.270)
More than 5 million THB	3.08			
STD ethical performance in environment aspect (tested with Dunnett T3)				
Less than 1 million THB	2.82		-0.25 (0.443)	-0.69** (0.001)
1 - 5 million THB	3.06			-0.44* (0.033)
More than 5 million THB	3.51			
STD ethical performance in overall (tested with LSD)				
Less than 1 million THB	2.75		-0.26 (0.068)	-0.50** (0.005)
1 - 5 million THB	3.01			-0.24 (0.191)
More than 5 million THB	3.25			

¹significant values are in parenthesis

*significant at 0.05 level

**significant at 0.01 level

Table 4: The 1-way ANOVA Results of Testing STD Ethical Performance Among TOs with Different Length of Experience in Doing Business

STD Ethical Performance of TO	Statistics	Statistics Value	df1	df2	sig
Economic	F-test ¹	1.743	3	126	0.161
Social	F-test ¹	0.453	3	126	0.715
Management	F-test ¹	1.284	3	126	0.283
Environment	F-test ¹	0.487	3	126	0.692
Overall	F-test ¹	0.765	3	126	0.516

¹the test for equality of variance (Levene's Test) reveal that TOs with different register capital have indifferent level of variance in their performance.

Experiences of Doing Business

The results of statistical testing of the difference of STD ethical performance among the TOs with different years of experience in doing business are shown in table 4. The table reveals that the TOs with different length of doing business have indifferent STD ethical performance on all aspects at a statistical significance level of 0.05.

Finding from Stakeholders Interviews

The tour operator firms and stakeholders mostly agree that the obstacles or limitations for TOs to perform their business in accordance with STD ethical behavior are (1) the cooperation of tourism service providers; (2) the commitment of the firm owners or top managers; (3) the concern regarding rising costs or losing their competitive advantage as a result of being ethical; (4) the price war competition among TOs forcing the firms to cut some costs by having to ignore the negative consequences; and (5) the short term vision when conducting TO business; short run profitability is more important. On the other hand, most of them disclose that the huge incentives that motivate TOs to perform the STD ethical behavior are (1) customer satisfaction, (2) the firm reputation; (3) the greater sales revenue and access to the high value clients; and (4) lower risk.

DISCUSSION AND CONCLUSION

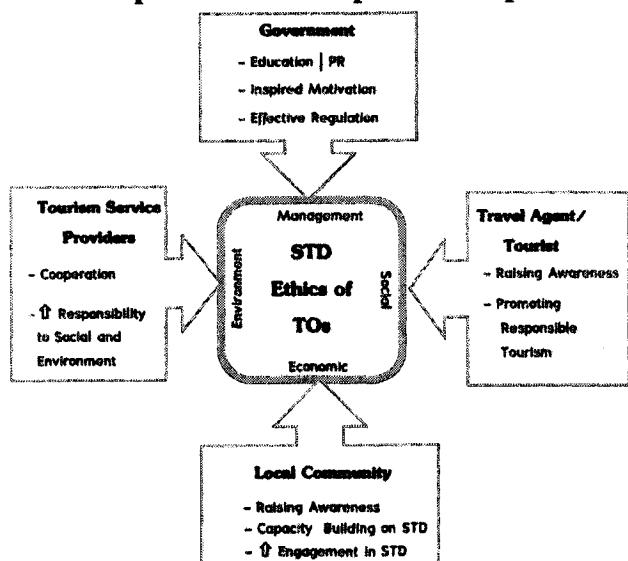
The TOs level of awareness and performance according to the STD ethical behaviour in terms of social and environment is higher than the management and economics aspects because the so-

cial environment impact can directly affect the attractiveness of their tourism products and consequently affect their business opportunity while and management and economic issues may not directly affect their opportunity in doing business.

Regarding the gap analysis, the results from figure 3 and figure 4 confirm that there are two types of gaps remaining among the TOs, which are awareness gap (gap between full score (5) and their awareness level) and implementation gap (gap between awareness level and performance level). To close the awareness gap, the results from qualitative analyses suggests 3 measures which include; (1) raising awareness and promoting responsible tourism to tourists and all other parties in the supply chain is essential (see figure 5); (2) encouraging the TOs to have a long-term business vision, thus they will pay more attention to long-run profitability and sustainability; (3) informing and educating the TOs about their extensive contribution to STD, since most of the TOs perceive that they are intermediaries which create no direct impact on the social and environment. In addition, the possible measures for closing the implementation gap are: (1) conducting capacity building program to TOs in order to incubate attitude, knowledge and skill in conducting business according to STD ethical standards; (2) raising awareness among stakeholders in the supply chain which enables the TOs to receive cooperation from their partners; (3) promoting the cluster development of TOs because, with the cluster, the TOs can collectively raise their bargaining power with other parties and can effectively induce the tourism service providers to conduct their business in a sustainable way.

The results reveal that the TOs with higher registered capital have higher STD ethical performance

Figure 5: Measures for Closing Awareness Gap and Implementation Gap of Tour Operator



Source: Author

than those with lower registered capital. This is because the higher the capital invested, the longer the business vision. Thus, the higher capital intensive TOs tend to pay more attention to the firm reputation and customer satisfaction than the lower capital intensive firms.

References

- Budeanu, Adriana. (2005). Impacts and responsibilities for sustainable tourism: a tour operator's perspective. *Journal of Cleaner Production*. 13, 89-97.
- Cernat, Lucian. & Gourdon, Julien. (2007). *Is the Concept of Sustainable Tourism Sustainable?*. CERDI
- Eurostat. (2006). *Methodological Work on Measuring the Sustainable Development of Tourism*. European Commission
- Fennell, David A. & Malloy, David C. (1995). Ethics and Ecotourism: A Comprehensive Ethics Scale. *Journal of Applied Recreation Research*. 20, 163-183.
- Fennell, David A. & Malloy, David C. (1999). Measuring The Ethical Nature of Tourism Operators. *Annals of Tourism Research*. 26, 928-943.
- Karwacki, J., & C. Boyd. (1995). Ethics and Ecotourism. *Business Ethics*. 4, 225-232
- Middleton, Victor T.C. and Hawkins, Rebecca. (1998). Preface. *Sustainable Tourism*. ix-xii
- ONS. (2011). *Sustainable Tourism: A Review of Indicators*. United Kingdom Office for National Statistics
- Page, Stephen J. (2003). *Tourism Management: managing for change*. Butterworth-Heinemann
- Roberts, Sherma. & Tribe, John. (2008). *Sustainability Indicators for Small Tourism Enterprises - An Exploratory*
- Schermerhorn, John R. (2008) *Management*. 11ed. Wiley & Sons
- Schwartz, Karen., Tapper, Richard., Font, Xavier. (2008). Sustainable Supply Chain Management Framework for Tour Operators. *Journal of Sustainable Tourism*, 16, 298-314.
- Tearfund. (2001). *Tourism: Putting Ethics into Practice*.
- TEATA. (2011). *Sustainable Thai Tour Operator Standard, Informed by the Global Sustainable Tourism Criteria*. (online)
- TOI. (2003). *Sustainable Tourism: The Tour Operators' Contribution*. Tour Operators Initiative for Sustainable Tourism Development
- TOI. (2004). *Supply Chain Engagement for Tour Operators: Three Steps Toward Sustainability*.
- UNEP. (2005). *Integrating Sustainability into Business. A Management Guide for Responsible Tour Operations*.
- Weaver, D. & Oppermann, M. (2000). *Tourism Management*. Brisbane: Wiley & Sons
- World Commission on Environment and Development. (1987). *From One Earth to One World: An Overview*. Oxford: Oxford University Press.
- World Tourism Organization. (2001). *Global Code of Ethics for Tourism*. World Tourism Organization
- World Tourism Organization. (2004). *Indicators of Sustainable Development for Tourism Destinations: A Guidebook*. World Tourism Organization
- WWF. (1999). *Code of Conduct for Tour Operators in the Arctic*

About the Author:

Rugphong Vongsaroj obtained his doctoral degree from the Graduate School of Tourism Management, National Institute of Development Administration. His email address is rugphong@gmail.com