

Tourism in a VUCA World

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Tourism in a VUCA World: Managing the Future of Tourism

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INVESTOR IN PEOPLE

*Dedicated to the readers of tourism literature in pursuit of a seamless tourism
experience in the VUCA world.*

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Contents

| | |
|---|-------------|
| About the Editors | <i>xi</i> |
| About the Contributors | <i>xiii</i> |
| Preface | <i>xvii</i> |
| | |
| Chapter 1 Introduction: Tourism in a VUCA World <i>Manjula Chaudhary and Naser Ul Islam</i> | 1 |
| Part I: Rethinking Tourism | |
| | |
| Chapter 2 Management of Trends in Sustainable and Responsible Tourism Post-2023 <i>Marko Koščak and Tony O'Rourke</i> | 11 |
| | |
| Chapter 3 The New Realities of the Tourism Industry in the Era of Global Climate Changes <i>Mira Zovko and Damjan Zovko</i> | 27 |
| | |
| Chapter 4 Capacities of Adaptation and Mitigation Measures in Tourism to Answer Challenges of the Climate Crisis <i>Izidora Marković Vukadin, Naser Ul Islam, Diana Baus and Damir Krešić</i> | 43 |
| | |
| Chapter 5 The Impact of Technologies as an Alternative Reality on Business in Hotel Industry: Virtual, Augmented, and Artificial <i>Ana Portolan and Marino Stanković</i> | 65 |

**Part II: Community Perspectives and Tourist
Behaviour in VUCA**

**Chapter 6 Nudging: A Possible Solution for a More Successful
Destination Management**
Snježana Boranić Živoder 79

**Chapter 7 Cruise Tourism, Local Life, and Rhythms in
Pre-, During, and Post-Pandemic Times**
Allegra Celine Baumann 93

**Chapter 8 Tourist Xenophobia and Residents' Perspective in the
VUCA Era: The Case of Japan During the COVID-19 Pandemic**
Wataru Uehara and Hiromi Kamata 105

**Chapter 9 Psychological and Socio-Demographic Drivers of
Pro-environmental Behaviour in Generation Z**
Dora Ivković and Ante Mandić 119

**Part III: Organisational and Strategy
Transformations Under VUCA**

**Chapter 10 Tourism's Vitality After COVID-19 Pandemic:
Embracing Healing as a Significant Concept**
Ricardi S. Adnan 145

**Chapter 11 Resilience of Tourism Enterprises Facing
VUCA Environment**
Krzysztof Borodako, Jadwiga Berbeka and Michał Rudnicki 157

**Chapter 12 Risk Preparation in Touristic Coastal Areas
in Spain: COVID-19 Versus Tsunamis**
Sandra Sánchez-Arcediano and Frank Babinger 171

**Chapter 13 Crime and Insecurity as Factors of Uncertainty
and Erosion of the Tourist Image of Mexico**
Carlos Mario Amaya Molinar and Irma Magaña Carrillo 187

**Chapter 14 Interfaces Between Biothreats, Biosecurity,
and Tourism: Strategies for Indian Tourism**
Manjula Chaudhary and Naser Ul Islam 203

| | |
|---|-----|
| Chapter 15 Transformation of Tourist Regions Through the Recovery of Abandoned Rural Settlements – The Case of Croatia <i>Jasenska Kranjčević and Dina Stober</i> | 213 |
| Chapter 16 Challenges to Be Answered and Answers to Be Challenged <i>Izidora Marković Vukadin and Naser Ul Islam</i> | 231 |

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Preface

Global tourism witnessed the worst-ever crisis during the COVID-19 pandemic when tourist arrivals nosedived. This sudden threat compounded the existing problems of the tourism industry, which was trying to balance the ecological, economic, political, technological, and social concerns at destinations. This ambiguity of the tourism landscape challenged the strategic decision-makers to adopt 'Innovation and Creativity' as a way of life. It was the innovative approaches that gave solutions to unprecedented pandemic times in the form of 'tourism with restrictions'. This also led to the learning that possible future environments may be more threatening, requiring a completely new approach to strategic management.

The book emerges as a timely contribution to strategic management in tourism that looks at the future of tourism in a volatile, uncertain, complex, and ambiguous (VUCA) environment. Through this book, an attempt has been made to understand the strategies and plans of tourism stakeholders during VUCA times. The diversity of strategies and plans of tourism stakeholders in equally diverse settings makes this book an invaluable guide for tourism and hospitality administrators, academicians, and students. The rich collection of articles on different dimensions of destination planning and management under VUCA adds to the appeal of this book for destination management organisations and all other tourism stakeholders.

Coverage and Structure

The book offers a strategic outlook on tourism. It is divided into 3 thematic parts as sections and has 16 chapters. The different chapters raise the relevant issues of management in turbulent environments. Each chapter takes up a unique challenge encountered at a different site, offers analysis, and provides a way forward.

'Rethinking Tourism' is the first section and includes chapters relating to newer perspectives of tourism in current times, particularly concerning the high impact and high importance areas of sustainable tourism, climatic changes, and technology.

'Community Perspectives and Tourist Behaviour in VUCA' is the second section, including contributions on unexpected and unforeseen behavioural aspects of the community and tourists during VUCA times. This very interesting part discusses the unusual acceptance of tourism by stakeholders during the pandemic and among biothreats. Pro-environmental tourist behaviours and nudging are discussed as opening new dimensions.

The third section on ‘Organisational and Strategy Transformation Under VUCA’ carries the discussion forward to include chapters on pro-active and reactive models and action plans in the face of VUCA challenges. Managing destination branding and reputation; organisational change and management, and case studies on business approaches under risk are highlights of this part.

The different contributions to the diversity of management approaches under turbulent times showcase human ingenuity and hope for a brighter future, even during the VUCA environment. This book offers an understanding of volatile, uncertain, complex, and ambiguous events bordering crisis and contingent solutions as a way forward. The discussions on situation analysis, new idea generation, and management of tourism are exciting and provide an in-depth understanding of relevant issues, making it a ‘Guidebook’ for all stakeholders in tourism ranging from graduate students to top managers, government to private players, businesses to community and many others.

Keywords: VUCA; sustainable tourism; tourism risk; tourism adaptation; strategic management

Highlights

The book appreciates Innovation, Creativity, and Resilience in the Strategic Management of tourism in the VUCA world.

The book presents novel situations and solutions to overcome the high-risk VUCA circumstances.

The book addresses the need for a strategic reevaluation of the tourism industry in the face of VUCA.

The book showcases diverse management approaches during turbulent times, demonstrating human ingenuity and optimism for a brighter future.

The book will interest a complete generation of tourism and hospitality professionals, academics, policymakers, and tourists who have seen the extremely tough COVID-19 pandemic times. The cases and discussion in the book will stay relevant and offer solutions in times to come as risk events continue to rise, such as extreme weather, geological disturbances, and pockets of the world breaking into war.

Chapter 1

Introduction: Tourism in a VUCA World

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Abstract

Business environment has had a considerable influence on the strategic and operational choices of organisations since the beginning of industrialisation. The faster pace of change in the environment and unpredictability was observed in the advancement of the industrial ages. Strategic management thinkers studied the organisational context of turbulent environments including volatile, uncertain, complex, and ambiguous (VUCA). Ambiguity in a volatile, uncertain, and complex environment changed the rules of business altogether from structured organisations to flexible ones with living entity-like responsiveness. Strategic leadership has emerged as the radar to see solutions in unpredictable environments. The inherent vulnerability of tourism to the vagaries of outside forces makes it imperative to accept and prepare for VUCA. The future of tourism will rest in flexible, agile, innovative, and resilient business models.

Keywords: VUCA; strategic management; IA 4.0; agile and living organisations; tourism

Introduction

The business environment has always been the pervasive factor behind the success of organisations. Top management thinkers laid out its significance and developed the different tools of environmental scanning to gain the right traction for strategic and operational decision-making. The research and practice of management in almost every functional area dealt with the changing environment. New strategic approaches were developed to enhance the competitiveness and survival of business entities. Porter's different models on strategy suggest ways

to add value in a competitive environment (Mathews, 2013). In a discussion on the success and failure of corporations, Drucker (2017) emphasised the realignment of an organisation's behaviour in line with the new realities of its environment. Environmental change was taken as the only permanent thing though its dynamics varied across time and space. Todnem By (2005) noted that studies on change management identify change as an ever-present element that affects all organisations, and the pace of change has never been greater than in the current continuously evolving business environment. The frequency of unexpected events of global order has increased in recent times. World Economic Forum (2023) reported that the pace of change is much faster and more disruptive in the current time and identified pandemic and technological revolution as fundamentally changing the business world.

The VUCA World in the Industrial Ages

In the field of management, the construct of a turbulent environment was identified as a 'turbulent field-ground in motion' as one of the causal textures of an organisation environment requiring a high level of adaptation (Emery & Trist, 1965). This work was carried forward by other strategic management researchers to identify the causal relationship between organisational strategies and environmental disturbances. Ansoff (1987) laid stress upon 'Strategic Issue Management' for acceptance of new and unfamiliar issues concerning a business enterprise and an early warning system for crisis who also found that the quintessential relationship of environment-capability-strategy has withstood the test of time. A number of new organisation theories were developed that were divergent from traditional theories. Open systems theory recognises the interdependence of organisations and their environment with permeable and variable boundaries (Scott, 1981). Chaos theory was developed and used for complex, non-linear, dynamic systems where long-term planning cannot be made due to the absence of equilibrium (Levy, 1994). Complexity theory recognises that organisations co-evolve with their environments, and strategic management is about a process in permanent flux, with action and learning feeding back to each other in a succession of iterations (Pina e Cunha & Vieira da Cunha, 2006). A good amount of literature on strategic management is devoted to the balance between the environment and organisations (Guerras-Martin et al., 2014). VUCA is a later formulation of a turbulent environment where ambiguity changes the game altogether as cause and effect are unknown altogether (Bennett & Lemoine, 2014a, 2014b).

To address the impact of continuing environmental changes on business, many studies were conducted in the concerned areas of management of change, organisational strategy, and operational management. Reed (2022) proposed a mindset of continuous operational improvement and strategic renewal to address environmental transitions with the objective of revealing new relationships involving operations, strategy, and performance. Agility in organisations and an agile mindset are offered as the solution around VUCA drivers (Eilers et al., 2022). The explicit focus on the human dynamics of such an endeavour of managing VUCA was suggested through three sets of interrelated actions: identifying your

VUCA, defining obstacles to agility, and implementing agility-enhancing practices (Baran & Woznyj, 2020).

The challenge was accepting sudden changes and associated risks, foreseeing patterns, devising contingency plans, and being ready for quick actions. Jarrett (2000) found that acceptance of risks for the potential of reward was an essential part of entrepreneurial business.

The history of industrialisation is witness to environmental changes. The journey of industrialisation from Industrial Age (IA) 1.0 to IA 4.0 suggests a distinct pattern wherein every new age had a shorter period and a greater disruptive effect on work and society. IA 1.0 is considered to have begun in the 18th century in 1740 and is marked by the mechanisation, use of steam, and its profound effect on urbanisation. The IA 2.0 began in the 19th century in 1870 and remained in force till 1914. This created mass manufacturing by the use of electricity and assembly line production. More changes came in the 20th century, around the 1950s, with IA 3.0, which produced electronics, computers, and information technology. This led to the spread of the digital economy, which was thought to be a big business challenge. Gates and Hemingway (2000) introduced and advocated the concept of the digital nervous system to unite all systems and processes for success in the digital economy. The current IA 4.0 that began in the 21st century in 2000 through the coming of Cyber and Physical Systems (CPS) had exponential velocity, scope, and impact, transforming production, management, and governance (Klaus, 2016). Grabowska and Saniuk (2022) study on business models in IA 4.0 found the creation of new open business models that allow the introduction of open innovations, rapid reorganisation of processes, and very flexible adjustment of the functioning of companies to new conditions and dynamically changing competitive and common environments.

Twenty-first century, marked by unexpected and fast-paced planned and unplanned interventions, has been dubbed as VUCA times and VUCA world by the researchers wherein the evolution of the cyber world, artificial intelligence, and disruptions like COVID have fast-paced countries, societies, and economies to completely new operative models (Taskan et al., 2022).

Leadership in VUCA Times

In VUCA situations, leadership becomes important. Leaders must deal with growing uncertainty, complexity, and ambiguity in their decision-making environments and with external volatility, and business leaders who stay focused on their mission and values and have the courage to deploy bold strategies building on their strengths will be the winners (George, 2017). How decision-makers observe and respond to a shock event depends on how they perceive it, and actor responses are also likely to vary depending on whether they view the occasion for decision-making as having a negative (threat) or positive (opportunity) impact (Eden et al., 2021). Begeç and Akyuz (2023) found that leaders for technology-intensive collaborative ecosystems should possess a holistic view that can oversee multiple players, dimensions, components, processes, dependencies, and interactions while understanding the VUCA challenges in managing the transformation. The governance and management strategies adopted at different levels during

the COVID pandemic prove the importance of leadership and unique strategies. A study in Australia identified responsible leadership associated with innovations that serve the broader public good overcoming the different challenges posed by the crisis, as a pathway for transforming the tourism and hospitality industry towards a more sustainable and community-centred ‘new normal’ (Yildiz et al., 2023). Leadership role has been found to be critical in crisis management (Smits & Ezzat Ally, 2003).

Tourism in a VUCA World

The new dynamics of the IA 4.0 business world regarding management, change, organisational adaptations, and leadership were observed in the tourism industry too. The tourism industry has faced more heat from the VUCA world for having networked business models and a good presence of small- and medium-sized enterprises (SMEs). In the last decade, SMEs have been experiencing organisational challenges in adjusting to an increasingly VUCA environment ruffled by Schumpeter’s gale of creative destruction (Santoso et al., 2020). Many technological advancements will happen in this IA 4.0 age, especially in implanted and wearable technologies, unmanned vehicles, as well as more humanoid robots, artificial intelligence, AI-based systems, robots, and intelligent decision-makers (Oztemel & Gursev, 2020). These developments will have tourism participating in their use and also being impacted in turn. Gössling (2021) identified usurpation (2016–2020, ongoing) as a stage of ICT adoption in the tourism industry coinciding with the growing dependence of individuals on ICT for participation in social and professional life, placing caution against the expansion of power and control mechanisms by a limited number of dominating platforms on a global scale posing the risk of barring critical opinion from the individual entangled with the ICT economy and social media dependent digital identities.

The IA 4.0 has primarily touched manufacturing and, consequently, services that are delivered through the inclusion of tangibles in the delivery chain. Tourism service delivery has different business models combining tangibles and intangibles and has undergone immense changes in current years regarding the use of technology such as robots in restaurant service, robot cleaning devices, etc. The adoption of technology gained momentum during COVID-19 when the concept of touchless service was introduced (Iskender et al., 2022). The components such as augmented reality, the Internet of Things, artificial intelligence applications, and big data make it possible to create a service difference in tourism as in other sectors (Dalkiran, 2022). The advent of the fourth industrial revolution, the evolution of technological devices, and the development of the internet are having a profound impact on tourism, qualifying the current period as the ‘era of Tourism 4.0’, where the digital revolution is modifying the behaviour of tourists, businesses and tourist destinations, projecting them towards a smart perspective to co-create value for tourists, workers, and local communities (Pencarelli, 2020). Chaudhary and Islam (2023) noted that the architecture of tourism will evolve consistently with the advancements in future technologies, and the increased investments in 5G technology will bridge the digital divide creating equitable access for extended tourist experiences and will also bring transparency and openness to all businesses.

[Rate et al. \(2018\)](#) emphasised the need for a greater depth of understanding in tourism, far beyond what suffices for many other industries, concerning the influence of the environment considering the special relationship between tourism and its marketing environment. [Speakman and Sharpley \(2012\)](#) found the relevance of basic tenets of chaos theory in the crisis management of tourism destinations. Tourism is a dynamic system with many interrelated parts, and change in any one of these will cascade to the whole system. The history of the VUCA environment is witness to the fact that it significantly impacts tourism, and only the flexible, adaptive, and innovative response strategies prevent the tourism business from going downhill.

The world-over response of the tourism industry during COVID-19 and its subsequent bounce back is a lesson in handling VUCA disruptions. The new reality of the VUCA world must be accepted to give newer solutions in tourism. The interactive digital technology using real-time collaboration of all tourism stakeholders will be able to generate effective live responses to threats emerging from VUCA reality. [Grewatsch et al. \(2023\)](#) suggested systems thinking to help strategy scholars investigate co-evolutionary dynamics, advance processual insights, and recognise tipping points and transformative change of wicked problems in place of reductionist thinking that examines parts to understand the whole systems thinking considers the context in which parts are embedded. [Major and Clarke \(2022\)](#) noted the idea of considering tourism as an organic living system as a new regenerative paradigm concerning the influence of environment grounded in living systems theory wherein Michelle Holliday's universal design principles for life; divergent parts, relationships, and structures, the emergent whole and life; resonate for tourism. [Antonacopoulou \(2018\)](#) also discussed a similar living and human approach in view of VUCA conditions calling for VUCA responses (primer), VUCA learning leadership, and proposed sensuous learning for a new learning organisation having a new form of intelligence. And the future of strategic management in tourism in the VUCA world may lie in living, agile organisations. Systems thinking is considered important to help understand and manage the interconnected tourism business ([Postma & Yeoman, 2021](#)).

Conclusion

The literature on strategic management developed for manufacturing organisations provides directions to the tourism industry for growth and sustenance under VUCA conditions. The earlier models of management considered the environment as predictable, later changed to the predictability of alternate probabilities and nonpredictable VUCA. The structured management outlook evolved towards a fluid and dynamic one as a response strategy to the VUCA world. This changed every aspect of organisational management, specifically structures, procedures, mindset, and all the related flows. The future of tourism will lie with 'learning, living, organic' organisations that can effectively leverage new technology and continually develop strategic capabilities. Apt is the comment of [Wilkinson and Kupers \(2013\)](#) that success in the future depends on the future success of decisions, which cannot be known in advance, but a sustained scenario practice can

make leaders comfortable with the ambiguity of an open future to counter hubris and foster quick adaptation in times of crisis.

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