



Tourist Destination Governance

**Practice, Theory
and Issues**

**Edited by
Eric Laws
Harold Richins
Jerome Agrusa
Noel Scott**



TOURIST DESTINATION GOVERNANCE

Practice, Theory and Issues



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A catalogue record for this book is available from the British Library, London, UK.

Library of Congress Cataloging-in-Publication Data

Laws, Eric, 1945

Tourist destination governance: practice, theory and issues / Eric Laws, Jerome Agrusa, Harold Richins, [editors].

p. cm.

Includes index.

1. Tourism-Management. I. Agrusa, Jerome Francis. II. Richins, Harold. III. Title.

G155.A1L3774 2011
910.68-dc22

2010045953

ISBN-13: 978 1 84593 794 2

Commissioning editor: Sarah Hulbert
Production editors: Tracy Head and Simon Hill

Typeset by AMA Dataset, Preston, UK.
Printed and bound in the UK by MPG Books Group.

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Foreword

The global business environment has faced many significant hurdles over the past few decades – internal as well as external – and ever since the introduction of the Sarbanes–Oxley Act July 2002,¹ increasing attention has been given to ensuring corporate governance policies and procedures are in place and active in many boardrooms and halls of government around the world.

This issue is of particular relevance for the Pacific Asia Travel Association (PATA)² as the Association works with both the private and public sectors in the travel and tourism industry, and the issue of governance is becoming more important, not only within each of these sectors but also in the overlap area where they both meet, the tourist destination areas.

While aimed initially at largely financial dealings, the whole issue of good corporate governance has now expanded to cover a much wider range of industries and sectors, as well as including other parallel elements, particularly those encompassing social and environmental issues; this includes travel and tourism.

It makes good business sense to have a well-developed corporate governance policy. There is evidence that companies that are run well not only generally produce better results but also they quite often outperform those that are less well managed. In addition, it seems that there may be positive linkages between a good corporate governance system and reduced labour turnover, increased labour productivity and reduced financial costs.

Given that we are currently in an environment of relative austerity – at least, compared to the seemingly halcyon years leading up to the financial meltdown and global recession of 2008/09 – any changes in operational style that save money while simultaneously empowering and motivating employees must be worth considering.

While many large corporations have been introducing and modifying such policies for a number of years, it is telling to note that the travel and tourism sector generally has been slower, ‘en-masse’ at least, to pick up this concept. This is not surprising, however, given that our sector is characterized by a significant

number of small and medium-sized businesses – the SMEs of the world, which in combination with destination organizations determine the quality of tourists' experiences.

While many operators might be interested in adopting good corporate governance policies and practices, there has, however, been a shortage of practical advice and examples of what can be applied to the travel and tourism sector at the SME and destination levels and how such practices can work effectively.

This is no longer the case – this gap has largely been filled by the work before you, with Professor Eric Laws, his editorial team and expert contributors bringing an eclectic mix of theory and examples of direct relevance to the travel and tourism sector.

Examples abound from Australia to Brazil and onward to Hawaii, the Greater Mekong Subregion, Thailand and the Mediterranean.

In keeping with PATA's mandate to inform and educate, and to promote and protect our members and our industry, it gives me great pleasure to bring you this valuable and practical work. I am sure that within its pages you will find issues that provoke thought and suggestions that feed ideas.

Hiran Cooray
Chairman
Pacific Asia Travel Association (PATA)

Notes

1. Sarbanes–Oxley Act (SOX) 404. In July 2002, the US Congress passed the Sarbanes–Oxley Act into law. This Act was designed primarily to restore investor confidence following well-publicized bankruptcies and internal control breakdowns that brought chief executives, audit committees and the independent auditors under heavy scrutiny.

The Act is applicable to all publicly registered companies under the jurisdiction of the Securities and Exchange Commission (SEC; <http://www.sec.gov/>).

The Act called for the formation of a Public Company Accounting Oversight Board (PCAOB; <http://pcaobus.org/Pages/default.aspx>) and specified several requirements ('sections') that included management's quarterly certification of their financial results (Section 302) and management's annual assertion that internal controls over financial reporting were effective (Section 404). In the case of Section 404, the independent auditor of the organization was required to opine on the effectiveness of internal control over financial reporting in addition to the auditor's opinion on the fair presentation of the organization's financial statements (also referred to as the 'integrated audit'); http://sas70.com/sas70_SOX404.html (page 1).

2. PATA was founded in 1951 in Honolulu, Hawaii, with the purpose of representing the travel and tourism industry in the Pacific to potential international travellers in North America. It now has around 1000 members spread across the globe and focuses on representing their interests with respect to travel and tourism to, from and within the greater Asia Pacific area. PATA is unique in so far as it gives equal weight to members from both the private and public sectors.

The Association is not-for-profit and is headquartered in Bangkok, Thailand.