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## THE TOURIST SECTOR: ITALIAN EXPERIENCE

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*This work takes into account a theoretical discussion about the relationship between the private and public sectors with specific reference to Italy. It argues that three contexts are important, namely the 'task', 'normative' and 'organisational' environments. The second part of the paper reports some findings from research in progress. This describes the attitudes of Italian staff working in the public sector of tourism to the issue of the relationship between the public and private sector. South Italian managers rank motivational factors highly, while north Italian managers seem more concerned about issues of co-ordination and the quality of service provision.*

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JEL Classification: *L83, M1, O1*

### INTRODUCTION

In Europe, it is a cliché to state that the demand for tourism services has increased significantly over the last few decades. Many public and private organisations have recognised (Korres, 2008) a potential for adding to tourism supply in areas that were previously not considered attractive destinations (Aaker, Kumar, Day, 2003) for tourists. At the local level, (Beirman, 2003) particularly in Southern Europe, tourism has often been seen as a means of generating economic prosperity (Gartner, 2000) and playing a role previously attributed to manufacturing. Additionally, tourism can enable public authorities to achieve a variety of social objectives, such as improving employment (Commission of the European Communities, 2005) and the physical environment of an area. One can highlight the experience of Naples and Genoa, new investments by the European Union and private/public actors that are changing the old manufacturing areas of each of these cities in the new and competitive tourist arena. In this context (Lindberg, Andersson, Dellaert, 2001) the different experience of the Italian Tourist Sector (ITS) will be



investigated. Certainly the proportion of GDP of Italy related activities has increased significantly during last decades (Italian Tourism Council, 2008).

The European Tourist Sector (ETS) is, as elsewhere, a complex sector (Divisekera, 2003. Dwyer, Forsyth, Spurr, Vanho, 2003), that interweaves both tangible assets and intangible experiences. These, from a management viewpoint, (Davies, 2003) are linked by:

- a marketing approach;
- the human resources; and
- the capacities of management.

A second factor is that one has to identify a changing relationship between the public and private sectors of the industry (Bendell, Font, 2004). These changes affect the attractiveness of destinations, the modes of regulation of the private sector (Patsouratis, Frangouli, Anastasopoulos, 2005), and the consequences of tourism development (Russell, Faulkner, 2004) on social and physical environments (O'Neill, Carlsen, 2001). To examine such changing relationships requires consideration of the following issues:

- the different cultural values of human resources and capacity of management;
- how members of different organisations (public and private), perceive the purpose of these organisations;
- the importance of the organisational life cycle, here the literature emphasises the stages of birth, youth, mid - life and maturity;
- the different historical roles of the organisation and financing of private and public sectors.

## **THE ITALIAN TOURIST SECTORS: A NEW LOGIC AND A CULTURAL CHALLENGE**

In recent years there has been an increasing interest in the use of management theory (Italian Tourism Council, 2008) within the Italian Tourist Sectors. This interest has two aspects: first, an interest in the application of management theory in the tourist sector. This takes the form of importing ideas and methods developed in and for the private sector. The assumption is that the private sector is superior to the public sector in specific ways: private sector organisations are more cost-consciousness, more inclined to implement modern personnel management and more capable of developing corporate culture as a steering instrument. Such a debate considers facets like incentives for productivity and particularly the necessity to create in the tourist sector

some reliable measures of management efficiency. The second aspect is an interest in the use of management theory in the study of the tourist sector. Here the aim is somewhat different: do theories and concepts from management theory help us to understand the tourist sector better? What should be the extent and nature of tourist sector? How do we change the role of the tourist sector? From 2000 the public sector in Italy has become less important than previously, the policy objectives are now:

- reducing the budget of public tourist sector;
- reducing government involvement in the public tourist sector;
- easing problems of public sector pay determination;
- encouraging employee share ownership.

This debate about the difference between public and private tourist sector is not new (Sasser et. al., 1978). Many of the early writers stressed privatisation in their discussion of planning and extensive public tourist sector controls (Liu, 2003). Equally, many of the problems of regulation have long been recognised. Such a debate raises (Commission of the European Communities, 2005) many issues, including:

- the characteristics of the task the public tourist sector are supposed to carry out;
- the normative foundation of their work and;
- the authorities, political bodies and other units they have to deal with.

These three elements are referred to as the ‘task context’, the ‘normative context’ and the ‘organisational context’.

### **The task context**

The tourist experience is typically produced by two production circuits. The first relates to travel patterns and motivations. The second is more diffuse and complicated. It concerns the general policy goal for which the specific services can be seen as a means and an end. In this latter approach tourism is not about an individual’s concerns, but about the reproduction and development of their country’s culture. In this way the public tourist sector carries out both aggregative and integrative functions. On the one hand they must take as a point of departure citizens’ needs (aggregation); on the other hand they socialize and regulate citizen behaviour (integration).

### **The normative context**

The normative context contains the consideration, principles and demands to which the tourist sector must generally relate. In this way we

find many varying elements, all of which can be seen as restrictions on internal processes and the way in which services are produced and distributed. The issues here relate to resource use, the productivity and efficiency of services and quality of those services.

## **The organisational context**

This element involves a specification of the overall structure into which an organisation fits. The main approach here is that typically the tourist sector is enmeshed in a political and economic macrostructure which has a coordinating and decisive influence over the organisation (the visible hand) as opposed to the private sector which is assumed to respond to a 'rational' allocation of resources (the invisible hand). The visible hand stresses the concepts of a policy system, and the administration of resources as a collective goal. In this context the political system views the tourist sector as an omnicomprehensive system where the different institutions can be considered as a part of whole. In practice, the omnicomprehensive system is fragmented and there can be considerable conflict between the signals and actions emanating from the different parts. The administration of resources as a collective goal is linked to the concept of public budget. Here two aspects are underlined; the first is a formal aspect - when the public sector dispenses a sum of money, it can then place special demands on its use - the second is an operative aspect - can a public budget be understood as economic and normative action?

## **International experiences**

The last ten years has seen a remarkable reduction in the public tourist sector (notably in Germany and Great Britain) At the same time, it is not clear if other European (Blake, Sinclair, Campo, 2006) countries are developing policies of deregulation or privatisation versus regulation or a mix between the two options. Pertinent questions include:

- what determines the balance between public and private system of rule, between the formal and informal system and with what consequences?
- what are the consequences of the regulatory system for distribution, services and social values?
- how, why and with what effect do such systems change and evolve?

In these circumstances it is striking that the economic theory of how to change the role of the public tourist sector is so weak. There are

examples of the theoretical analysis of the public tourist sector. These studies provide some interesting insights into quality services, prices, or quantities which are under the control of the public sector. They do not, however, provide very much guidance on the different context (task, normative and organisational) that the public tourist sector must take into account.

## **THE CASE - STUDY: ITALIAN TOURIST SECTOR**

The Italian tourist sector is illustrative of the different, disjointed interests between administrative- political and economic aspects. First, the sectors may be considered as comprising of three areas as shown in Figures 1. Thus it must interact with the surrounding economic and social environment for which it should fulfil a role of regulating the social and economic processes. The tourist sector is not the result of a simple addition of the performance of all units. On the contrary it depends on a relationship existing among all tourist sector units, among the different economic and social goals and between these and the political action of visible hand. To start from this assumption means surrendering the omni comprehensive idea of a tourist sector and replacing it with one of networks of complementary but often competing units. In the next paragraphs, after the methodology, starting from task, normative and organisational context, will be showed the items of questionnaire and the results of research.

## **METHODOLOGY**

The sample of Italian public managers was selected during April 2007, the interviews has started during April 2008. The high number of managers in two different areas of country (south and north) and in different regions within the areas, 750 south Italian public managers and 750 north Italian public managers, have take many time for organised the contact and the visit in the different organisations (small and medium firms). A large part of interviews 70% has been made in the local public agency of two areas. From Figures 1 it can be said the Italian public sector of tourism is characterised by:

- a presence of one large public national agency and a presence of a few large companies (provider area);
- a presence of small firms (allotment of duties area) with at most ten employees and,
- a presence of a consumer good area.

First and second areas has been investigated by questionnaire, that take into account three different contest of analysis:

- social background variables;
- productivity variables;
- efficiency variables.

The second and third part of questionnaire comprised 30 pre - developed, 15 for each part, Likert statements, designed to measure the productivity and efficiency variables. Specifically, respondents were asked to indicate the level of criticises on a seven point scale, ranging “strongly criticises” (7) to low criticises (1) by different items of second and third part.

The 30 Likert statements were explored by principal components factor analysis and varimax rotation, which resulted in a four - factor solution, two for each countries. The purpose of factor analysis (Calantone et. al., 1989) was to combine the statements into a set factors that were deemed to represent a first organisational types linked to the interviews of managers into different countries. The internal consistency of each factor was examined by Cronbach’s alpha tests. All the alpha coefficients were above 0.5, which means that high correlation existed between the items.

### The results of research

These issues were examined by questioning a sample of Italian and Spanish managers in the public sector of the tourism industry. These were distributed by geographical and educational attainment as shown in tables 1 and 2. Table 2 shows the general lack of tertiary sector educational qualifications among the staff. What is not shown is that staff were predominantly male.

**Table 1** Number of managers for different regions

South Italian public managers	Norh Italian public managers
33% south land	33% north est land
33% south island sicilia	33% middle – norht (exp. lazio) land
33% south island sardegna	33% north – ovest land
Total managers 750	Total managers 750

The purpose of factor analysis, which resulted in a three factor solution, was to combine the statements into a set factors that were deemed to represent the organisational types linked to the interviews of managers into different areas. Specifically, items with higher loadings, 16

factors, (see table 3) were considered (alpha coefficients above 0.5) as more important and as having a greater influence (Hair et al., 1995) on organisational types.

**Table 2** Managers education level for different regions

South Italian public managers		Norh Italian public managers		
University	8%	University		
Secondary high school	26%	Secondary high school		
Jounior high school	22%	Jounior high school		
No education level	44%	No education level		
Total	100% (77% male)	Total	100	(80% male)

**Table 3** Factor analysis Italian public managers

Factor name and items	Mean	S.D.	Factor loading	Alpha
improving productivity south public managers	5.00			0.83
motivational factors to entry	5.24	1.56	0.77	
the role of public management	5.13	1.58	0.64	
control of public sector	5.20	1.37	0.59	
coordination of public sector	5.62	1.44	0.62	
improving productivity north public managers	5.73			0.90
relations customers - allotment of duties	5.20	1.38	0.54	
low level of information technology	5.16	1.38	0.50	
private control	6.14	1.10	0.80	
private coordination	6.24	1.22	0.87	
improving efficiency south public managers	5.26			0.80
work organisation as a problem	5.20	1.55	0.76	
mutual help relation with other agency	5.01	1.05	0.63	
job stability	5.16	1.12	0.51	
salary	5.12	1.10	0.68	
improving efficiency north public managers	5.73			0.81
managerial culture	5.70	1.23	0.74	
quality of service	5.17	1.50	0.71	
credit and information by bank	5.24	1.38	0.55	
public legislation	5.34	1.48	0.65	



Managers were asked about what they saw as the critical points for improving productivity. The results are categorised in table 4. South Italian managers emphasised motivational factors to entry, especially incentives for productivity and training, and then factors described as ‘the form of management’ and ‘coordination of the tourist sector’. North Italian public managers considered the first element to be ‘coordination’ and ‘control of public sector’. Both groups of managers underline the necessity of a new normative context and strongly criticize the role of a ‘National Public Agency’.

**Table 4** Factor loading items linked to the critical points for improving productivity

South public managers		North public managers	
motivational factors to entry	(0.77)	relations customers - allotment of duties	(0.54)
the role of public management	(0.64)	low level of information technology	(0.50)
control of public sector	(0.59)	private control	(0.80)
coordination of public sector	(0.62)	Private coordination	(0.87)

For the items linked to efficiency (see table 5) the critical factors are, for the south managers: ‘work organisation’, ‘mutual help relationships with other agencies’ and ‘salary’. In the first element managers underline the absence of gerarchical influences and ‘professionality’ linked to the service supply. The second element is the necessity to change, for the better, the mutual help relationships with other agencies. In this case the managers underline the modalities by which the different members of organisation undertake their specific tasks, professional functions and roles. These modalities particularly concern the relations of exchange and their characteristics, linked again to the absence of gerarchical influence. Salary is the last element; the managers argue that individual economic reward should be taken into account to improve productivity and efficiency. North managers underline the importance of ‘managerial culture’ and ‘quality of service’ in terms of paying more attention to the specific managerial culture of the sector and the needs of its users. One important bottle neck of this second aspect, (quality of service) is linked to the relations between customers and the allocation of duties with

reference to the need for a quick response about the coordination and control of information flows.

**Table 5** Factor loading items linked to the critical points for improving efficiency

South public managers		North public managers
work organisation as a problem	(0.76)	managerial culture (0.74)
mutual help relation with other agency	(0.63)	quality of service (0.71)
job stability	(0.51)	credit and information by bank (0.55)
salary	(0.68)	public legislation (0.65)

Starting from tables 4 and 5, the data showed three different organisational types:

the insensitive organisation; the main characteristics refer to low attention to the identification of user's needs, and to productivity and efficiency. This configuration is present in a large part of Italy, particularly in the south and islands. These types of organisation takes into account for improving productivity:

- motivational factors to entry (0.77);
- the role of public management (0.64),

and for improving efficiency:

- work organisation as problem (0.76);
- salary (0.68).

the fortuitously sensitive organisation; it shows interest in the knowledge of user's needs, and productivity and efficiency. This configuration is present in a large part of south and islands and the middle north. In south and islands these types of organisation, takes into account for improving productivity:

- control of public sector (0.59);
- coordination of public sector (0.62);

for improving efficiency:

- mutual help relation with other agency (0.63);
- job stability (0.51).

In middle north these types of organisation takes into account for improving productivity:

- relations customers - allotment of duties (0.54);
- low level of information technology (0.50);

for improving efficiency:

- public legislation (0.65);
- credit and information by bank (0.55).

the sensitive organisation; an organisation that shows great interest in user's requests, and productivity and efficiency. This configuration is present in a large part of north. These types of organisation takes into account for improving productivity:

- private control (0.80);
- private coordination (0.87);

for improving efficiency:

- managerial culture (0.74);
- quality of service (0.71).

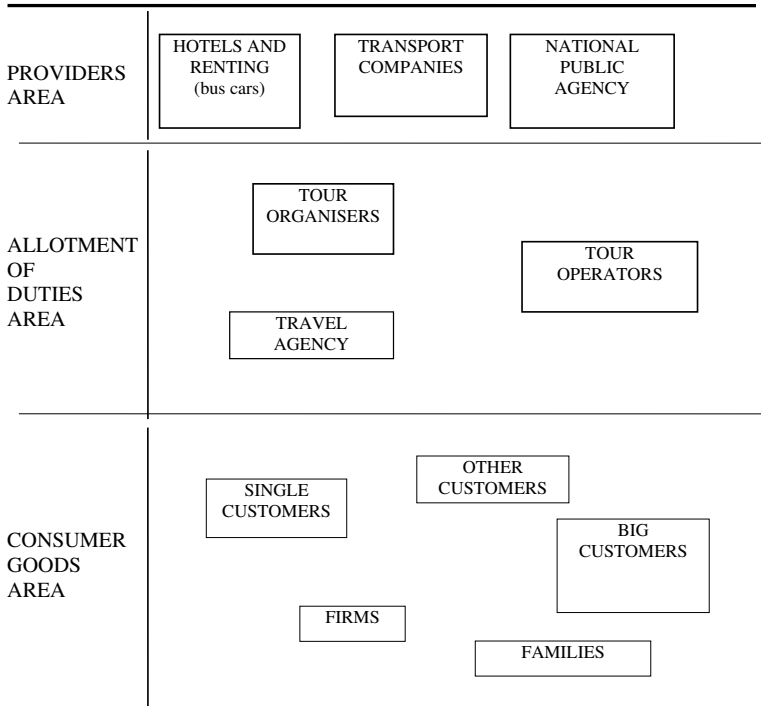
## **CONCLUSION**

This work indicates that the theory of regulation versus privatisation does not provide very much guidance on the different task, normative and organisational contexts of tourism. It also argues that while change is possible, such change must take into account the different experiences and culture of the two areas of Italy and the different market opportunities of each. Of over-riding importance is a needed change in terms of values and operative decisions.

We have tried to draw on organisational types to help understand two central question. The first concerning the theory of regulation versus privatisation in the Italian tourist sectors; the second querying the appropriate role of the public tourist sector and how it can be changed. It appears that the political decision for greater privatisation has been made in Italy, but simply replacing a public sector by a private sector to replicate the functions of the former is not enough. The values and culture of service in order to produce a tangible economic and social return, is underline in the north. South Italy to replace one bureaucracy by another is not progress. In addition there are different configurations in the same areas, for ex middle and north versus south. Such a view rejects a stance whereby the normative context can be regarded as ultimate and unchanging. It must instead be seen as under constant development and re-interpretation. The theory of regulation and the role of public tourist sector is an open question and therefore, in the diagnosis of reform versus privatisation, actually there isn't a one best way for European tourist sector and a single element or problem is rarely sufficient to analyse the relationship between public and private tourist sectors. A kind of diagnosis that reflects the nature of different systems and contributes to

the discovery of strategic key areas in which a change could produce a better performance for the service and users is a more productive approach.

**FIGURE1 ITALIAN TOURIST SECTOR**



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