# Ireland

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**Key Issues: Public Policy Landscape**

- Policy explicitly focuses on tourism development building on heritage and well being based products of sustainable quality.
- The stimulation of entrepreneurship and SMEs is central in a political system making a transition from state controlled to privatisation of industry. Specific interventions take the form of education and training, qualitative and quantitative product development; and supporting co-operative practices among SMEs, tourism organisations in general, and between SMEs and multi-national enterprises.
- In order to stimulate more collaborative practices, regional bodies have launched co-operation initiatives. These aim to foster SME competitiveness as a major factor of in economic development. European support schemes such as European Regional Development Fund will further enhance such development.

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# Chapter 5
# IRELAND

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## OVERVIEW OF SMEs IN TOURISM

Ireland has become known as the Celtic Tiger due to average annual GNP growth of 9 per cent during the 1990s. The reasons for this growth are many and varied and tourism and tourism firms have played no small part in this rapid growth. In total the sector sustains approximately 150,000 jobs (or job equivalents) amounting to 8.6 per cent of total employment (Bord Failte, 2001). In some ways the tourism sector is representative of the broader industrial profile of Ireland with a number of large international firms but the majority of firms are SMEs. Both types of firms have gained from high levels of growth, increasing wealth and a rising international profile. With overseas tourist numbers doubling from 3.1 million in 1990 to 6.3 million by 2000 (Bord Failte, 1991; 2001), most tourism sub-sectors gained and there have been a number of structural changes some of which are discussed below.

The first thing that has to be noted is that there is extremely little research conducted on SMEs within the tourism industry in Ireland. Focus, both from a policy and an academic point of view, has been on the demand rather than the supply side. This involves research and comment on public policy (for example, Deegan and Dineen, 1997; 2000; Deegan, 2002) and numerous surveys of tourists by Bord Failte the former national tourism authority. From an economic perspective, concentration is on the impact of the sector on the economy (Webster *et al*, 2002), and to a lesser extent the affect of public funding (Hannigan, 1994). Even in the terms of reference of the newly established Tourism Review Group there is sparse mention of firms with the emphasis on analysing the types of tourists visiting and their economic contribution, evaluating policy and international competitiveness of the sector and looking at the impact of funding (http://www.tourismreview.ie/termsref.htm). Where tourism firms do appear, in the section that investigates the strategy for future sustainable development of the sector, the heading is business capability with a focus on human resource development. However on a positive note it must be mentioned that a number of submissions to the Tourism Review Group did identify that key elements of government strategy should investigate this SME sector and in particular the issues of clustering and networking were mentioned (http://www.tourismreview.ie/submissions.htm).

Furthermore, there exists a glaring gap in terms of investigating issues such as the structure and organisation of the sector, the role of tourism firms in the development of local economies, the effect of an increasing number of international firms and inter-firm relations. Part of the reason for this may lie in the difficulty of determining sector boundaries but also relevant is the fact that Ireland's industrial history since the 1950s has predominantly focused on the attraction of international firms' (Mottiar and Ingle, 2002). Whatever the reason, as Deegan (2002:40) argues: 'the new tourism paradigm has emerged and "best practice" in international tourism policy is moving from an emphasis on advertising and promotion to a focus on supply side measures that facilitate innovation and development within small firms in tourism'. Clearly further research into this important issue must be stimulated and sustained. What follows is based on the limited research and data that is available.

Structural change appears to have moved the Irish tourism sector from one almost wholly comprising of small firms to a more fragmented industry with a number of quite big firms and then the majority of firms remaining in the SME category. For example in the hotel industry there has been a shift from small family owned properties to an increasing number of larger and often internationally owned hotels. This trend is evident in Dublin and the other main cities of Galway and Cork where international chains such as Holiday Inns, Quality Hotels and the Hilton currently operate. Irish owned hotel groups have also increased their numbers of properties and the merger of the Jury and Doyle Groups in 1998 created the country's largest hotel group (Gibney, 2002). However, this trend is not mirrored in rural areas where smaller family owned hotels still dominate.

The travel agency business in Ireland has also undergone transformation from a fragmented and localised industry with few large operations before the 1990s to a market which is now dominated by three operating groups which account for over 90 percent of the Irish air-inclusive tourist market (Mintel, 2001). This reflects the vertical integration, which followed UK acquisition of Irish businesses.

Since the 1980s there have also been considerable changes in the B&B or guesthouse sector with an increasing number of purpose built guesthouses, which are open year-round. During the period of high economic growth this sector has come under increasing competition from the one and two star hotel market. The self-catering sector grew steadily over the 1990s considerably aided by government funding as discussed in the next section.

Overall the tourism sector in Ireland remains dominated by small firms but in a period of high economic growth there is evidence of a number of changes that are occurring. Some sectors, primarily hotels, restaurants and travel agents, are facing increasing international competition. There is also evidence of some Irish firms consolidating in particular in the hotel and pub sub-sectors. In terms of domestic providers, sectors such as hostels, self-catering properties, catering and restaurants and B&Bs are competing with an increasing number of providers not native to Ireland.

**Key Issues : SMEs in Tourism**

- Extremely sparse literature on tourism SMEs and lack of research. What has been produced tends to have a demand, rather than a supply-side,



focus. Recommendations have been made to research the SME sector and in particular the issues of clustering and networking, and the facilitation of innovation and development in SMEs.

- Predominantly consist of small firms with polarisation between large and small firms being more evident in the hotel sector and relative to spatial dispersal with small firms more prevalent in rural and peripheral geographic locations.

- Structural change in the tourism industry, which has resulted in more international competition.

- Increasing number of international firms especially in hotel and travel agency sub-sectors

**PUBLIC POLICY LANDSCAPE**

Tourism policy in Ireland is administered from the Department of Arts, Sport and Tourism. Policy layers are at national and regional level although most key decisions are made at the national level. Key areas of involvement include funding, marketing and training.

A new tourism development authority called Failte Ireland has been established since May 2003. It encompasses the activities of the former national bodies of Bord Failte and CERT, which were responsible for marketing and training respectively. The primary objective of this new body is 'to promote tourism within and to the state and the development of tourism facilities and services, including the promotion of training, human resource and marketing skills development in the tourism sector' (O'Donoghue, 2002:2). The marketing of the country is the responsibility of Tourism Ireland Ltd. which is an all-island body established under the Good Friday Agreement (1998).

In terms of funding, tourism firms have gained from general small firm schemes such as the EU LEADER scheme, which is available for rural firms. More specifically during the 1994-1999 National Development Plan €828 million (£652m) was invested in Irish tourism (Department of Tourism and Trade, 1993). Much of the emphasis in this round of funding was on improving the tourism product. On a much smaller scale, the 2000-2006 National Development Plan committed €130 million of public sector funding to the sector (Bord Failte, 1999). One of the main foci of this plan is on clusters of existing tourist attractions. This level of state support since the mid-1990s has provided a significant financial boost to the firms in the sector.

At a regional level there are tourism authorities, which engage primarily in the promotion of tourism and act as information sources for visiting tourists in the respective region. However they are also responsible for encouraging tourist businesses in their area to avail of funding and opportunities that are available, and to work with Bord Failte to achieve the objectives of the National Development Plan.

Tourism policy maintains a top down approach. This can be exemplified with study of a recent policy to rejuvenate seaside resort areas. Generous tax incentives were provided for investors to build tourism facilities. While some general facilities were developed, in the main focus was on the provision of holiday accommodation in the form of urban style housing estates. The policy of tax incentives was national but the local authorities had regional power over planning permission. It appears that little restraint was exercised in the rush to capitalise on the incentives. It seems that this national policy did not necessarily serve the very diverse needs of the fifteen local seaside resorts in question (for more discussion of this scheme and its effect on one of the areas see Mottiar and Quinn, 2001).

Tourism SMEs in Ireland have experienced quite significant change over the last decade as a result of high levels of economic growth, a doubling in the number of tourist arrivals and a high level of government financial support. The effects have been an increased market, enhanced competition and structural change across the industry. As the economy slows down, government spending is increasingly constrained and international tourism flows become more limited, it will be interesting to observe the implications for the sector in the coming years. Observation of this sort will necessitate a shift in both public and academic research to focus on the supply side of the industry.

**Key issues: public policy**

- The last decade, probably due to high national economic growth, has been a period of high levels of government (and EU) funding of the sector.
- Government policy is directed primarily at marketing, training and funding.
- A policy of clustering of existing tourist attractions has been adopted.
- A top down approach to policy formulation and implementation is sometimes misconceived and associated incentives exploited to poor effect.
- Public policy in the tourism sector is primarily national.



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# Chapter 6
# NEW ZEALAND

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## OVERVIEW OF SMEs IN TOURISM

Tourism in New Zealand (NZ) has a high dependence on natural attractions but there is a strengthening cultural tourism sector. International visitors to year ended March 2003 numbered approximately 2.04 million. International visitors spent 6.1 billion per annum to year ended March 2003. Tourism contributes approximately 10 per cent GDP. There are an estimated 10 public listed companies and between 13,500-18,000 tourism SMEs in NZ, directly employing 94,000 full time workers and 62,000 indirectly (http://www.tourism.govt.nz). Over 1,100 tourism operators hold concessions with the Department of Conservation to provide services and facilities on the conservation estate.

The small domestic market (population = 4 million) means reliance on traditional short-haul (Australian and Pacific Islands) and long haul (UK, Europe, North America) visitor markets. The Tourism Industry Association NZ (TIANZ) is the main representative body for 3,500 tourism operators. NZ has a reputation for being entrepreneurial, particularly within the nature tourism sector (adventure tourism in particular). Examples of entrepreneurs with international and national reputations are: A.J. Hackett and Henry Van Asch (AJ Hackett Bungy - international franchise); Ewan Wilson (Kiwi Air - no longer operating); Doug and Mike Tamaki (Tamaki Tours).

Increased international and domestic tourism has extended the tourist season either side of the traditional summer months for many SMEs. Seasonality is still an issue but with the shoulder seasons extending in some regions, many operators are offering all-year round services. The degree of SME accountability has been strengthened with the application of accreditation and certification systems, for example Qualmark and Green Globe 21 administered with assistance from the Tourism Industry Association NZ. Professionalism is gaining momentum within the tourism industry and there has been rapid growth in tertiary education and training providers within the hospitality and tourism sector. Entrepreneurship is emerging as an academic subject with postgraduate courses in entrepreneurship being offered at tertiary institutions. Product development is continuing increase in cultural and nature based products, particularly wildlife viewing. The tourism business market is active with an increasing trend for owner/operator businesses being purchased by consortiums and/or corporatised. Many of these businesses are concession holders with the Department of Conservation (DOC).

### Key Issues: SMEs in Tourism

Key issues arise from the above, all of which are under-researched.