

# The perceived effects of Economic and Monetary Union upon **tourism business environment**: a doctoral study applied to the hotel industry in Portugal

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**Keywords** | Business Environment, Hotel Industry, North Portugal, EMU, Porter.

**Objectives** | Based on the challenges faced by the Portuguese tourism sector, and specifically the hotel sector, resulting from the introduction and consolidation of Economic and Monetary Union (EMU) and the limitations presented by previous research, the overall aim of this communication is:

- To critically evaluate the perceived impacts of EMU upon the competitiveness and decision-making relating to the hotel industry in the North of Portugal, based on the views of the tourism stakeholders, representing the national authorities, industry associations and hotel business.

To meet this aim the following general objectives were set:

- To develop a conceptual framework for researching the implications of EMU at the three main levels of the business environment (national, industry and operational level) and, consequently, on business competitiveness;
- To analyse and compare the perceptions on the implications of EMU using the tourism stakeholders;
- To understand how EMU affects the decision-making or strategies of the tourism stakeholders.

**Methodology** | This research was based on Porter's models: Diamond, Five Forces and Value Chain. These models were identified as being suitable to structure the primary research questionnaires and reliable on to give answers to the research aims. This involved three components in order to collect data from three distinct groups.

- In the *first stage*, the owners/senior managers of 104 hotels out of a total of 112 hotels in the North of Portugal were personally surveyed using a structured questionnaire that emerged from the literature and the aims of the research. The intention was to involve responsible people who, in seeking for their hotel to be profitable, play an important role in the hotel's operational environment.
- In the *second stage*, 5 face-to-face semi-structured interviews were conducted with people in key positions (director/president) in tourism industry associations to establish the views of the industry associations who, through their support, may contribute to the success of the tourism industry and are highly involved with the industry environment.

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- In the *third stage*, 10 face-to-face semi-structured interviews were conducted with people in key positions in the national authorities (Ministers/Secretary of State and directors) dealing directly or indirectly with the hotel's national environment.

With regard to the data analysis, this was structured into two parts based on the type of questionnaire used: structured and semi-structured. The semi-structured questionnaires were analysed using two types of content analysis, summation and explanation, using QSR NUD\*IST software programme. The structured questionnaires were analysed using basic descriptive methods, such as frequencies and cross tabulations. The quantitative data was analysed using the *Statistical Package for Social Sciences*.

**Main results and contributions** | This study has contributed to a better understanding of the implications of EMU through three main theoretical contributions:

*First*, the study brought to the research arena a three-dimensional perspective on the implications of EMU, by using the views of distinct stakeholders, which previous research on this domain has not done. Therefore, the inclusion of these study groups in the research also permitted conclude that the study groups had relatively different hopes and fears concerning EMU.

*Second*, the study adopted and adapted concepts and relevant models from business and competitiveness theories to examine the perceived effects of EMU on the business environment, revealing that the Porter's models provided a suitable theoretical framework for studying the implications of EMU in the service sector, which can be regarded as an innovative practice. Furthermore, by putting forward a conceptual framework that combines the three distinct levels of the business environment and those variables involved at each level, this research provides a richer perspective on the implications of EMU that had not been provided before. One of the main results the study reached through the conceptual framework used was that EMU not only changed the business environment at a national level, but also changed the competitive and operational environment of the hotels.

*Third*, the study offers original data on the stakeholders' perceptions of the effects of EMU on tourism and brings the discussion down a micro economic level by considering these effects on the hotels in the North of Portugal. In addition, by including hotels only from the north, selected as the geographical area given its potential as a tourism destination, a census was achieved and the resources available were not diluted.

From a practical perspective, the results obtained made available research findings with a view to help tourism stakeholders to explore opportunities and avoid possible limitations and barriers brought about by EMU. For instance, this study concluded that there is a need for entrepreneurs to have vision, to identify substantive opportunities, and to develop the right business plans or strategies that fit with the new business environment brought about by EMU, even if the enterprises are small and medium size.

**Limitations** | Through the approach taken in gathering the data was as comprehensive as was feasible at the time, there are two shortcomings that need to be addressed when considering the study and future research. First, this study focused on a phenomenon that is a very extensive and major, i.e. EMU. This represents a challenging task for research regardless of the more specific interests that the study may have. In this study, this extensive and complex phenomenon has been studied from a rather narrow perspective. The selection of the single case study - the implications on the hotels in the North of Portugal - naturally brings some limitations as far as the generalisation of the results of the study is concerned. Second, the main limitation of the study concerns the available data, in the sense that primary data were collected in 2002 and to 2003 and, with EMU as an ongoing process the business environment has moved on to a new phase in its development.

**Conclusions** | This study offers original information in a field which, at the time this research began, was not investigated by previous research and remains still poorly documented. In fact, this is one of the few studies in the field of tourism, specifically, designed to understand the perceptions of EMU by the main stakeholders of the hotel industry. Hence, it is hoped that the presented study contributes towards understanding the effects of EMU on the tourism sector and in particular in the hotel industry and, at the same time, encourages further work in this field.