

Stakeholders, Globalization, and Corporate Social Responsibility: A Look at International Ecotourism

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Abstract

This paper examines the problem of how stakeholders initiate, and adapt to, a new global social/organizational moral ecology determines any organizational strategy, as illustrated by policy changes in the Galapagos Islands necessitated by increased tourism's impact on the unique environment that attracts the tourism. Discussion includes the demands and roles of stakeholders and how they adapt to a global moral ecology. Further focus is on growth and impact of international tourism, with the Galapagos Islands and other sites as examples, followed by a discussion of stakeholder conflict and corporate policy. The fragile environment and unique economic forces of the Galapagos create a complex and challenging balance of marketing a unique ecotourism destination without destroying it with too many visitors and émigrés. The scope is limited to the one main example and by an assumption that corporate social responsibility is imperative in the 21st Century.

Introduction

The individual self-interests of stakeholders have always competed for benefit from a particular organization. With globalization, such competition takes on a new level of complexity, with conflicting self-interests exacerbated by conflicting cultural and societal values. Growth, as Dauvergne (2005) pointed out, is a measure of success. Additionally, modern technology and communication has made exploitation of resources and commensurate growth so efficient that the market demand will be able to outstrip its supply. Buckley and Casson (2001) provided a strong voice for the need to look beyond classical economic theory and include a moral dimension in order to encompass a global responsibility for husbanding resources, for replenishment and replacement of resources, and for creating a world-wide civil society that would care for the plight of individual victims of circumstance.

Global growth is one measure of success and those stakeholders for whom growth represents an increase in their wealth and spending power have a huge stake in sustaining such growth. Without any globally recognized moral imperative, the wealthy will continue to produce, consume, and circulate their wealth in ever-tightening circles; while for the poor, growth is one of increased deprivation. As wealthy stakeholders' production and consumption continues to be unchecked, there is no motivation for policymakers to focus on providing access and participation in the global market for the poor. Until those with power recognize the need to include individual concerns in policy, this situation will continue, with the poor being victimized and exploited. The ultimate result, which might be called poverty-cide, could eliminate the poor who provide a cheap labor supply. Thus, short-range plans that aim to exploit resources as quickly as possible will lead to short-range success, at long-range profound expense.

In order to focus the large question of stakeholders' adaptation to a new moral ecology, there is need to go beyond classical economic analyses and, as Casson and Buckley (2001) asserted, include moral ramifications. Using the Galapagos Islands as an example brings to the forefront the complexity of balancing growth of productivity by the actors, preserving the income producer (in this case the unique environment), and serving stakeholders who are tourists, conservators, researchers, laborers, farmers, fishermen, Ecuadorian cruise operators, off-shore tourism operators, and the Ecuadorian government. (Taylor, J. E., et al. 2003) The example also provides a definitive illustration of eco-tourism's effects on local ecosystem and economy that can apply to other ecotourism locales as well as to corporate responsibility of the operators in the global market. This paper will summarize briefly issues of individual and corporate responsibility with an emphasis on "...moral ecology of markets (Finn, 2003)." It will then focus on the growth and impact of international tourism, and use the Galapagos Islands and other sites as examples, followed by a discussion of the stakeholder conflict and corporate policy. The scope will be limited to the one main example and by an assumption that corporate social responsibility is imperative in the 21st Century.

In any organization or endeavor, there is a constant consideration of responsibility: wherein and with whom does it lie? This question of who is accountable and who gets any benefit or reward is the basis of meritocracy (Daft, 2004). With globalism, conflicting cultures and perceptions of "good" and "bad" complicate the question. Finn (2003) asserts that no market can exist without a moral context, or moral ecology. He uses this term to explain the interaction of human beings conducting business and the environment. Four elements of moral ecology of markets are the following: 1) markets defined by laws, 2) provision of essential goods and services, 3) morality of individuals and groups, and 4) civil society. The first point above serves as a definition of the scope and span of a market. Laws and regulations create a boundary around particular market activities. Markets provide goods and services; the definition of "essential" depends on the culture and social status. Morality is a constant in any market; for a transaction to take place, the seller and buyer must first establish trust and mutual understanding of fairness. Group morality forms from cultural mores as well as formal laws or codes. Civil society includes associations formed for service or contacts, wherein individuals can further their interests as well as learn about how democratic societies work with majority rule. With individuals' ability to organize, totalitarian rule remains weak (Finn, 2003). Thus, markets function democratically; anyone can offer goods or a service to anyone who needs them and is willing to trade cash or kind for them. However, who is responsible for cleaning up the mess left by market day? This is the next logical question.

Dunning (2004) argues that global morality is possible and is based on three precepts: creativity, cooperation, and covenantal relationships. These form the foundation of responsible global capitalism (RGC). Although enlightened self-interest influences business behavior, adherence to universal human values tempers that self-interest for the good of other people and in recognition of some overreaching power. Consequently, since all human beings are of the same species, there are universal concepts that apply to everyone. The conditions surrounding decisions or behavior affect the level of accountability. However, Buckley and Casson (2001) disagree, since Dunning's premise requires both self-regulation and self-control. They point out that entrepreneurs can experience unrivalled opportunities in low-trust capitalism. They can manipulate the market and convince customers of need that does not exist. Governments have limited ability to control advertising and promotion. Religious tradition draws

from insights made through generations of people, through “knowledge capital (Buckley & Casson, 326).” Protestantism, a religious tradition that dominates capitalism, calls for independence and freedom to think without guilt. Without independence and self-awareness, the public are most likely to be manipulated. Since self-awareness is a life condition higher than survival, the poor are most likely to become victims of exploitation. Furthermore, the moral ambiguity of capitalism creates real conflict between trying to get the best price and being “fair” to the buyer. Being fair is a negative incentive for the entrepreneur. This modern phenomenon, “public bad (Buckley & Casson, 326),” then is a counterweight to public good. Thus, the heart of global morality is countering the public bad.

The basis of corporate social responsibility is to converge public good with corporate good, particularly in relation to human capital. Historically, to exploit natural resources was a natural behavior of capitalists. The only concern was successful competition in the market place. Not until technology provided processes that made the exploitation so efficient that the use rate set off alarms was there great disquiet. Nevertheless, human capital is a different resource; the exploited will eventually rebel, quit, or die because in a democracy, where capitalism thrives, the underlying principle is that each person has free will. Contemporary firms, wherever they are, soon learn that to be a player in the global market, their reputations must provide credence that their business practices are up to global moral standards. (Khanna & Palepu, 2004) In order to reap the benefits of globalization, an internationally active firm needs to do the following:

- 1) Conduct a managerial assessment of various regions and choose only those that are essential,
- 2) Integrate competitive moves that recognizes interlinking of global markets,
- 3) Standardize their marketing in order to be more efficient,
- 4) Establish common needs among worldwide customer segments in order to maintain core product features and recognition.

Interestingly, acting this way may dilute the firm’s performance. (Zou & Cavusgil, 2002)

Whether a true global ethos can occur remains to be seen. However, the growth and pressure of globalization is a strong force pushing the world to considerations that transcend political, cultural, and economic boundaries. Global ethics, based on concern for population increase, resources exploitation, and environmental conditions, avers “...the earth is the only and common home for different social systems. It embraces also the relation of mankind to all other living creatures (Podgorecki, 1974, 267).”

Tourism

One characteristic of humankind is curiosity—about other people, other living things, the inorganic, and that beyond the horizon. This curiosity leads people to travel and see their world. As the world has expanded so has travel. Coupling curiosity with concern for the environment at home and abroad creates ecotourism, where travelers become pseudo- anthropologists and pseudo-scientists. Through home stays, visiting local cultural entities like schools and orphanages, and working on a farm or in a vineyard, ecotourism promises a tourist experiential learning. This is a fast-growing segment of the tourism business, and the more exotic or endangered destinations that a company can develop, the better for business. Dickey and Higham (2005) did a comprehensive study of New Zealand’s existing ecotourism and made recommendations for expansion and aggressive marketing, since they found that there were many sites thus far not developed. It is easy to project what can happen next: the visitors they attract endanger the very environments that are unique. Sustainable development must be central to international ecotourism. “In order to succeed, the development needs to be carefully planned, so as to extend and harness its life cycle (Eccles, 1995, 20).”

For many developing countries, tourism is a natural way to expand their economies. The product exists and the exotic nature of a site is an attraction. For example, in 1995, Cuba expanded its tourism because of a downturn in its economy. Nigeria followed examples of Kenya and Tanzania to develop game reserves as a tourist attraction. In Latin America, Brazil and Ecuador promoted travel to the Amazon basin; Chile, travel to Patagonia; Argentina, travel to Tierra del Fuego. In the United States, over-work coal mining regions developed tourism sites of mountain-forested beauty. In the South Pacific, Fiji and other island nations promoted themselves as a stopover between North America and Australia or New Zealand. (Eccles, 1995) Ten years later ecotourism has refined experiences to include environmental stewardship. For example, Hurtigruten Cruise Line, specializing in Arctic experiences, pledges to “carbon balance” all flights for free by giving their patrons the experience of picking litter off the beaches of Scandinavia as well as donating part of their profits to several environmental non-profit organizations (NGOs). ONLINE, one agency that aggressively markets eco-friendly tours, has doubled its annual sales to 10 million pounds and expects to see that double again this year. They currently represent 165 tour operators (Searle, 2006).

It is clear that tourism is a product and a service. The product is the experience, both of traveling and of the destination; service tempers that experience. Pricing structure depends on the amount of service. For a low guide to tourist ratio, buyers pay a higher price. The tourism product consists of mélange of destination, accessibility, and ambiance (van Staden & Marais, 2005) See in Figure 1.

In 2006, the New York Times called ecotourism the “buzzword of the year.” The International Ecotourism Society defines ecotourism as “...responsible travel to nature areas that conserves the environment and improves the well-being of local people (Strauss & Gale, 2006, 12).” In Kenya, ecotourism with premium services and prices is key to their economic recovery (Machan, 2005). The growth is as relentless as life itself. In 1995, Eccles warned that if tourism is not handled carefully, tourists would choose alternate sites. He recommended that organizations spend more resources on marketing and promotion in order to gain competitive advantage and maximize profits. However, he warns not to rush development; rather, take into consideration both the product life cycle and the environment (Eccles, 1995). More than a decade later—in a time when ecotourism is expanding to traditional maharajan luxury in the tiger country of India to 5-star eco-friendly Six Senses Resorts and Spas in Thailand to a 5-star Hilton International eco-lodge on the Brazilian side of the Amazon (Strauss & Gale, 2006)—Eccles’ admonition clearly resounds. New technologies emerge to help sustain the experience; for example in Bora Bora, InterContinental Hotels & Resorts feature air conditioning that cools by pumping sea water by the world’s deepest ocean pipe through a system that transfers the cold into a fresh water circuit that in turn powers the air conditioning throughout the resort. Initiatives

like the above contribute to the annual 5% growth rate of ecotourism, at present 6% of the world gross domestic product (Strauss & Gale, 2006). With such a fast and broad rate of expansion, it is useful to look at a specific example, the Galapagos Islands of Ecuador, of ecotourism impact. (See Figure 2.)

Ecotourism in the galapagos islands

Undiscovered by human beings until the early 16th Century, the Galapagos Islands lie in the Pacific Ocean some 600 miles west of South America. Figure 2 shows the remoteness of their location; yet, since their discovery, they have been landfall for mariners, scientists, curiosity seekers, and now tourists. A province of Ecuador, the Galapagos Islands are an archipelago of 13 major and 6 small islands (with only five inhabited), with most contained within a 200-mile diameter area. Since 1835, when Charles Darwin visited and studied the islands, millions of visitors have followed and wreaked damage. Émigrés from other parts of Ecuador introduced domestic animals—dogs, cats, goats, and pigs—many of which turned feral and provide stressful competition to the indigenous species. Presently, ninety percent of the land area is preserved as a natural park, where strict regulations prevent people from touching the biota, smoking and eating, flash photography, and straying off the marked paths. All visitors must be off land by sunset, in order to provide peace and privacy to the animals (Block, 1997). Six years after Block's description, Taylor et al (2003) investigated the economics of ecotourism on the Galapagos.

Ecotourism, as defined by the World Conservation Union (IUCN) and the Ecotourism Society, is responsible travel that sustains the local people and economy while protecting the environment. Table 1 below illustrates the challenge. Ecuador, the South American country with the greatest biodiversity, most of it on the Galapagos, has the highest threatened species rate on the continent, 2180 species compared to 2917 species in all the other South American countries combined.

The gravity of the situation applies to all species, including human beings. The presence and preservation of the animal and plant species is essential, since the ecosystem is the attraction for tourist visits that inject money for goods and services into the local economy. Thus, there are tradeoffs; in order to preserve and develop the economic good, the rate of growth needs careful monitoring. The conundrum is how to strike the right balance that will attract the optimum number of visitors to produce optimum economic benefit to locals, while limiting the pressure of increased human presence. Another variable appears to be at work and that is a direct association between tourism and local population growth. Although quantitative research in this area is minimal and incomplete, in the Galapagos, census data and the amount of housing construction bear witness to this connection. In the past 10 years, the population has more than doubled. Along with new people came almost 200 new plant and animal species (Taylor, et al, 2003). The "Enchanted Islands" (Bloom, 2002) are in danger.

Interaction between tourism and local economies creates income, but has serious ramifications for the environment. Taylor et al (2003) found that the degree to which tourists value the site relates directly to the amount of money they will pay. Most natural preserves do not charge enough to cover the cost of tourist impact. The Galapagos are an exception. Nevertheless, besides care of nature, the local economy needs care too. On the islands, tourists may buy a few souvenirs and hand crafts, but most often eat and sleep on foreign-owned cruise ships. Thus, tourist injection of money is not as great as in other destinations. The ships do buy local produce and fish, but not enough to counteract the cost of population pressure. Theoretically, tourism should bring higher incomes that in turn allow for local higher spending. In the Galapagos, it is estimated that less than eight percent of tourist expenditures enter the island economy. However, the availability of jobs and wages higher than the mainland continue to attract more residents. All of the tourism workers have migrated to the islands from mainland Ecuador. Although there are risks, tourism in the Galapagos is the main economic engine for the region. Cruise ships provide half of the gross island product, through wages paid to local crew members and purchasing of supplies (Taylor, et al, 2003).

Although the Ecuadorian government has not yet set quotas for tourists, it does influence numbers in two indirect ways: 1) limiting the number of tourist disembarking at specific Galapagos National Park destinations and 2) having a licensing system that limits the number of berths available for cruise ships. These actions provide an intervening policy. Using a Computable General Equilibrium (GCE) model to measure the effect of a 10 percent increase in tourism shows an increase in all sectors of production and wages from 1.8 percent to 9.16 percent, with the highest increases occurring on the main island of Santa Cruz. On Santa Cruz, personal income increases three to four percent in agricultural and self-employed households to over 4.5 percent in fishing households. With cruise ships demanding fresh fin and shellfish, and with a local focus on coastal fishing, this industry is in danger. Moreover, that ten percent increase in tourism would stimulate migration (assuming that the government does not limit it) to increase by an estimated five percent of the island population, along with commensurate population pressures. However, the studies show that workers contribute more than that spent on tourism. Consequently, local workers may have more of a stimulating effect than the tourists may. To go a step further, if trade of commodities is introduced into the model, the economic benefits for locals decrease, thus negating one of the goals of ecotourism, to help the local players. Impetus for trade is to keep prices down for the locals. In the Galapagos, there is concern that any increase in agriculture will introduce new species and new problems. However, restrictions will increase local commodity prices and create a subsequent shift of concern from new species to competition of resource use by fishermen, farmers, and ranchers and conservation efforts (Taylor, et al, 2003). Figure 3 shows this cycle of interdependence and interaction.

The interdependency shown above is a delicately balanced system. As tourism companies aggressively market experiences, they create forces that change both shape and balance of the model. To understand the complexity requires a brief look at tourism marketing. First, tourism is a complex industry, since it provides both service and product. Tourism includes both end destination and gateway destinations. In the case of the Galapagos, Quito, the capital of Ecuador, is a gateway, since it has a large international airport. Gateway destinations benefit from services revenue without the downside of tourist impact and usage (van Staden & Marais, 2005). Tourism includes 1) human experience, 2) social behavior, 3) geographic phenomenon, 4) economic resource, 5) the industry, and 6) the firm (Chandra & Menezes, 2001). Marketing requires promoting a destination, the travel to and from that destination, and—perhaps most important of all—the experience the tourist is promised. There is a mixture of fact and fantasy, of pragmatic concern for safety and for the "once in a lifetime" experience. In the last half of the 20th Century, international tourism worldwide receipts grew from \$2.1 billion to \$444.7 billion. Marketing strategies attempt to capture share of this revenue by setting goals, segmenting and targeting, positioning the product, and developing market mix (Chandra & Menezes, 2001).

Ecotourism is one segment where the targeted customer is one with means, with a desire for a unique experience, and a collector's psychology. Since tourism can be developed anywhere with the right spin, countries and regions have tourist organizations (NTOs) that market the area and culture to potential visitors. A typical NTO is both promoter and facilitator in marketing destinations. The NTO gathers data, develops a marketing strategy, and provides a foundation for other tourism organizations to target through the 4 P's of marketing: Promotion,

Product, Price, and Place (Chandra & Menezes, 2001). In this model, the marketing is a form of invitation to the outside tourist coming into the destination. However, when external ecotourism companies market a destination, there is little or no incentive for them to have concern over the impact of their clients. In fact, the more exciting or unique an experience the company can design attracts more tourists who seek a living-on-the-edge experience. Such marketing can lead to international distribution problems, as the sending international company depends on the local implementer (distributor) to provide the best experience for the tourist client (Arnold, 2000).

Corporate social responsibility

Herein lies the problem: the impact of tourism is remote from corporate headquarters and social responsibility. Even with specific labels and promotions of responsible ecotourism, the client does not really connect responsibility in the face of opportunity for that once-in-a-lifetime experience. Responsible companies communicate their environmental efforts and support, but it is difficult to control the clients' desires (Bjork, 2004). The "buy" decision is important for the client who is looking for the biggest payback in the form of unique experience rich with adventure and anecdotes. (Brierley, et al, 2006) Both the industry and their clients are beginning to learn that responsibility and protection are imperative for preserving the experiences in the future. In developing countries, it is difficult to strike that balance. For example, Kenya almost lost the Masai Mara preserve from over usage and now is concentrating on developing other destinations. Kenya learned that mass-marketing safaris is a short-range money making strategy because of the extreme impact on the local people and environment (Machan, 2005). In 2001 in the Galapagos, an oil spill from a tanker delivering diesel fuel for cruise ships caused long-term negative effects on the marine life (Wikelski, 2001). Demand for sea cucumbers by Japanese restaurants has decreased water quality around the Galapagos Islands as well as destroying habitats of the island birds (Barnes, 1999). Impact comes from numerous sources, results of ever-rising consumption, a phenomenon where the economy

"...feeds the luxuries of a wealthy minority by degrading the environments of the poor majority—making those environments unsafe and unhealthy (Dauvergne, 2005, 36)." New global markets exacerbate the situation by providing at an alarming rate more and more choices for consumption. We have become more efficient and more productive; for example, contemporary industrial workers can produce as much in a week that it took four years to produce in the 18th Century (Dauvergne, 2005). "...feeds the luxuries of a wealthy minority by degrading the environments of the poor majority—making those environments unsafe and unhealthy (Dauvergne, 2005, 36)." New global markets exacerbate the situation by providing at an alarming rate more and more choices for consumption. We have become more efficient and more productive; for example, contemporary industrial workers can produce as much in a week that it took four years to produce in the 18th Century (Dauvergne, 2005). With increased productivity come increased wealth and leisure time. This combination helps to drive the global tourism market, at the expense of the global poor. While the world spent \$14 billion on ocean cruises in 2004, the poor suffered. North America and Europe with 12 percent of the world's population account for more than 60 percent of total private consumption; while South Asia and Sub-Saharan Africa with one third of the world's population account for just over three percent of total private consumption. The force of global change serves the few at the expense of the many, the poor. Furthermore, global markets "...lengthen the distance between consumption and consequences (Dauvergne, 2005, 38)." This lack of culpability can only lead to a full-blown ecological crisis and deterioration of the planet. Failure of sustainable development is not an accident; rather it is a result of blatant refusal of accountability. "Policymakers rarely, if ever, deal seriously with the consequences for the wellbeing of individuals. The global political economy of consumption is one such human construct (Dauvergne, 2005, 44)." Sustainable development needs to focus more on ethics in order to create a humane global political economy that improves the health of human beings and the earth (Dauvergne, 2005).

Conclusion

This discussion has focused on tourism as both a model and example of globalization and its consequences. Tourism is an apt example, since it includes product and services—as well as a fantasy master-and-servant experience. The wealthy luxuriate at the expense of the poor who are eager to serve, since there is no other alternative. Remote companies and their stakeholders taking most of the profits out of the local economy dilute whatever wealth that could be transferred to the servant. In order to sustain both the industry and the planet, companies, NTOs, and political entities are beginning to apply regulations to negate the physical and economic impact of tourists on locales. As wages increase, more local people join the tourism industry, thus increasing local pressure on the environment. The task for all stakeholders is to create and support policies that put corporate social responsibility in the context of ecology, the relationship of organism and environment. The probability and implementation of such a task is an area that needs further research. With the development of international ecotourism, companies are moving from doing no harm to doing some good, a direction that leads to sustainability and better distribution of global wealth through corporate social responsibility.

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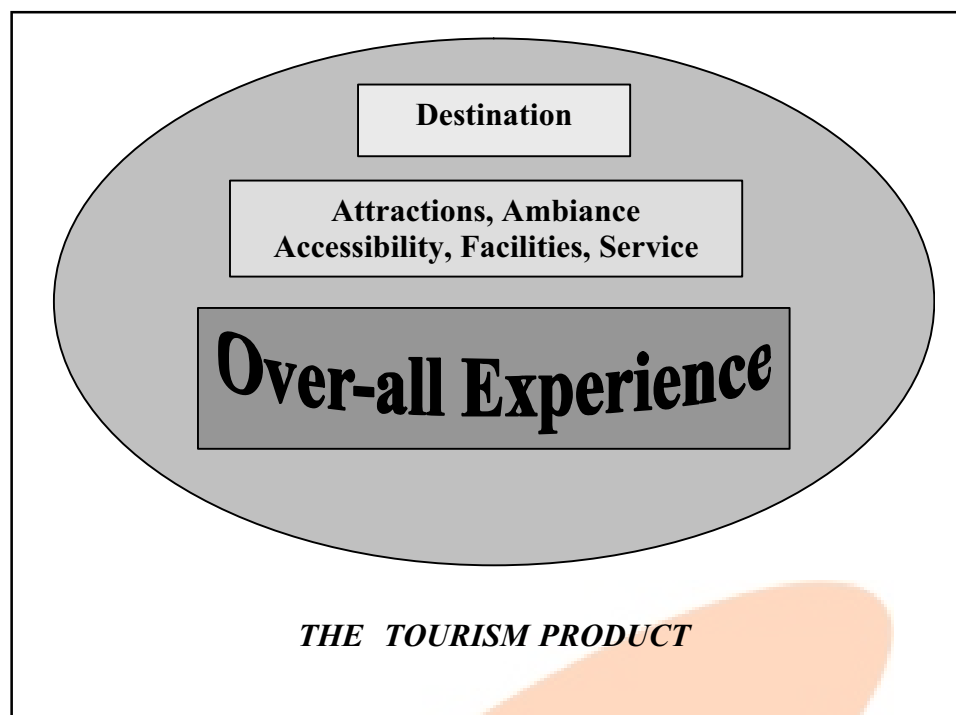


Figure 1: A model of the tourism product



Figure 2: Map of the Galapagos Islands in relation to Ecuador and South America.

(Retrieved from <http://images.google.com/images?hl=en&q=Galapagos+Islands&btnG=Search+Images&gbv=2>)

| South America | Mammals | Birds | Reptiles | Amphibians | Fishes | Molluscs | Other Inverts | Plants | Total |
|-----------------------------|-----------|-----------|-----------|------------|-----------|-----------|---------------|--------------|--------------|
| Argentina | 32 | 57 | 5 | 33 | 22 | 0 | 10 | 44 | 203 |
| Bolivia | 24 | 32 | 3 | 23 | 0 | 0 | 1 | 71 | 154 |
| Brazil* | 73 | 124 | 22 | 28 | 58 | 21 | 13 | 382 | 721 |
| Chile | 22 | 35 | 1 | 21 | 12 | 0 | 2 | 39 | 132 |
| Colombia | 38 | 88 | 16 | 217 | 28 | 0 | 2 | 225 | 614 |
| Ecuador | 34 | 76 | 11 | 165 | 14 | 48 | 0 | 1,832 | 2,180 |
| Falkland Islands (Malvinas) | 4 | 18 | 0 | 0 | 2 | 0 | 0 | 5 | 29 |
| French Guiana | 9 | 0 | 7 | 3 | 18 | 0 | 0 | 16 | 53 |
| Guyana | 11 | 3 | 6 | 9 | 18 | 0 | 1 | 23 | 71 |
| Paraguay | 9 | 29 | 2 | 2 | 0 | 0 | 0 | 12 | 54 |
| Peru | 46 | 98 | 8 | 86 | 8 | 0 | 2 | 276 | 524 |
| Suriname | 11 | 0 | 6 | 2 | 19 | 0 | 0 | 27 | 65 |
| Uruguay | 7 | 26 | 3 | 4 | 22 | 0 | 1 | 1 | 64 |
| Venezuela | 26 | 25 | 13 | 71 | 26 | 0 | 3 | 69 | 233 |

Table 1: Threatened species in each country (totals by taxonomic group)

Threatened species are those listed as Critically Endangered (CR), Endangered (EN) or Vulnerable (VU) (IUCN Red List, 2006).

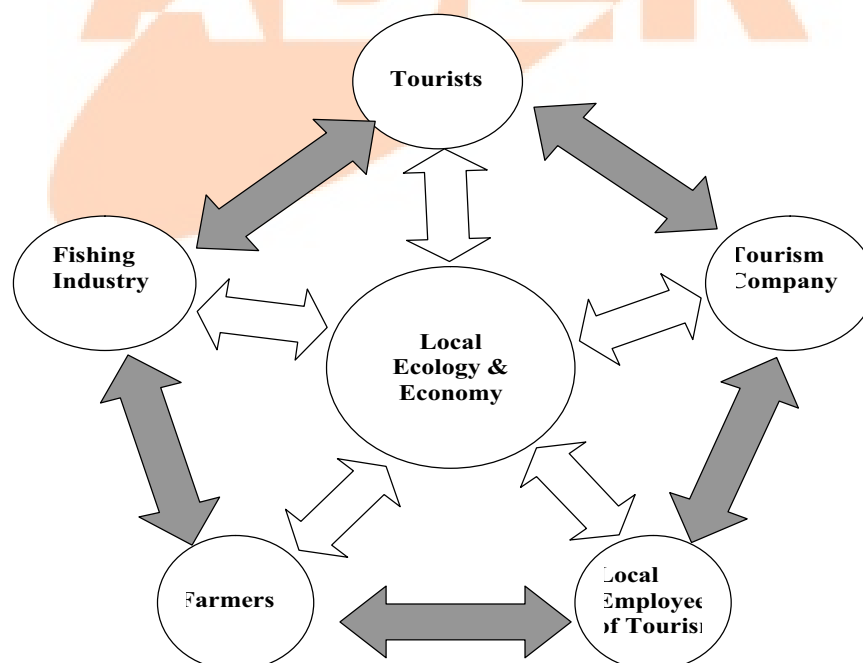


Figure 3: Interdependence and interaction of ecotourism elements and local ecology and economy in the Galapagos Islands