

DESTINATION MANAGEMENT ORGANISATIONS AS THE OUTCOME OF INSTITUTIONAL INNOVATIONS IN THE TOURISM SECTOR

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ABSTRACT

The main reasons for innovations in tourism destinations are dynamic changes in visitors' needs and the desire to gain a competitive advantage. As the result of these ongoing changes on the tourism market, the organisational structures within the destinations are evolving. Given these facts, the aim of the paper is to analyse the activities of destination management organisations in Slovakia, to identify their impact on tourism development and to determine the internal and external barriers to their further development. Quantitative research was the main tool used to determine how institutional innovations in the form of destination management organisations are contributing to a higher level of performance of the analysed areas in the tourism sector.

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Introduction

Over the past couple of years, the term 'innovation' has increasingly been used to describe the development activities of tourism enterprises, destinations and the tourism sector. The increase in national and international competition, as well as market saturation, are the main incentives for innovations in the tourism sector. The current situation on the tourism market requires the permanent innovation of tourism services. This fact influences the approach to the management of tourism destinations and stresses the necessity for the cooperation of stakeholders in tourism

destinations, leading to the establishment of destination management organisations (DMOs), which are responsible for managing and marketing tourism destinations and for supporting the activities of stakeholders involved in tourism development. There are many forms of DMOs globally at the national, territorial, regional and local levels, yet no standardised structural platform exists for them. There has been a trend for DMO governance to move from the public sector only to public-private partnerships.

The main aim of the paper is to analyse the activities of destination management organisations in Slovakia, to identify their impact on tourism development and to determine the internal and external barriers to their further development. The analysis is based on the results of original field research. We underline that DMOs are being developed as innovative organisational structures which stimulate the process of innovation in tourism destinations. The first part of the paper focuses on the characteristics of innovations in the tourism sector. The second part characterises DMOs in Slovakia and presents the outcomes of the field research. In order to meet the aim of the paper, primary and secondary data has been used.

1. Theoretical framework

Innovations can be characterised as “the driving force of the economy”. We can characterise them as a combination of production factors affecting business activity. Schumpeter (1987) distinguishes between inventions and innovations. Inventions are connected with basic scientific or technological research, and the term is used to define genuine breakthroughs. Inventions are not aimed at specific industrial use. Innovations, on the other hand, are further developments of inventions, or just general bright ideas for turning them into useful products. Innovations can be considered a tool for increasing a product’s quality and increasing its value for customers, increasing competitiveness, market share and profit, improving working conditions, rationalising processes and reducing the impact on the environment (Hall and Williams 2008).

Innovations are not as widespread within the tourism industry as in other industries, and until recently they had not been the subject of systematic research. In the context of tourism destinations, we support the definition that innovations are

changes, focusing on the introduction of new, better products or services and the implementation of new processes into destination marketing management. The result of these changes is to create added value and to satisfy customers’ needs in conformity with the principles of sustainable development (Eide et al. 2017). The main reasons for innovations in tourism destinations are usually incessant changes in visitors’ needs, an effort to be better than competitors, to increase market share and the impact of the life cycle of a tourism destination and its products. According to Nordhorn (2015), innovations in tourism destinations (as in general) consist of new products, services, business models and new markets. Through innovations, tourism destinations gain competitive advantages – time advantages, cost advantages. It is important for tourism destinations to focus on innovations, not only at the beginning of their activities, but throughout their existence. Nowadays, as a result of globalisation and high competition, innovations are the basis for the success of tourism destinations.

The typical feature of innovations when it comes to tourism destinations is derived from the nature of tourism products:

- the intangible character of tourism products (services) with a high necessity of human labour. Subsequently, innovations depend on the knowledge and skills of people who participate in the product development process;
- in the case of personal services, it is necessary to integrate the customer into the process of their production. According to this, customer directly affects the provision of services, their quality and other characteristics. This makes it possible to innovate based on customers’ opinions and to improve satisfaction of their needs;

- tourism products usually come in the form of packages, consisting of certain services produced by tourism and other industries. In this way, innovations in tourism are the result of innovation activities in these industries as well as changes in the external environment (e.g. new technologies, trends in customers' behaviour) (Zach and Hill 2017).

Approaches towards defining innovations vary in the literature, as do approaches towards differentiations. We adopted the classification of Hjalager (2002) which creates a framework for the research. According to the author, innovations can take place in one or a combination of four categories:

- product innovations represent altered or entirely new products or services, for which new features are evident for customers and can become the key factor which influences their purchasing decisions. Examples of new tourism products developed in recent years are loyalty programmes, environmentally sustainable accommodation facilities, and events based on local traditions;
- process innovations mean a change in existing operations, the goal of which is to increase efficiency and productivity as a consequence of their replacement with new or better technologies. They can be combined with other results in subsequent product innovations. Recent examples of major process innovations in tourism are computerised management and monitoring systems, robots for cleaning and maintenance, and self-service devices;
- management innovations are related to new ways of organising work, education, employee management and motivation. Management innova-

tions can result in staff empowerment through job enrichment, decentralisation, training, etc., or in deskilling enforced by the (re)introduction of scientific management methods;

- institutional innovations include the establishment of new organisational structures in tourism destinations (e.g. strategic alliances, networks, clusters, associations), which help tourism to develop. Institutional innovations transect the public and private sectors. Examples with implications for tourism include reform of the financial incentives that restructure social or health tourism concepts, destination management systems and units that control access to vulnerable areas, and setting up or changing credit institutions and changes to the conditions of obtaining finance.

Research into innovation operates with two different motivators that enforce or speed up changes at the enterprise level, namely push and pull mechanisms. Push factors are new technologies and appropriated methods that offer more efficient solutions for the production process or make the product more attractive to the customer. Pull factors are reflected in the demand from individual customers or (pressure) groups of customers. To sum up, the reasons for the implementation of innovations in tourism destinations differ. An unexpected decrease in demand may be an incentive to develop new strategies to overcome the crisis. The most frequent innovations in the tourism sector are product and institutional innovations as well.

Nevertheless, to ensure the effectiveness of destination management, the academic debate on tourism destinations is nowadays shifting towards the partnership approach (Beritelli and Bieger 2014). A partnership can be characterised as a commitment in which partners work

together to promote common interests (Pechlaner 2010). It includes the voluntary pooling of human, material, and financial resources and the knowledge of partners necessary to achieve the partnership goals (Selin and Chavez 1995). Long's definition of partnership (Caffyn 2000) highlights the fact that a partnership is a commitment of autonomous stakeholders from different sectors of the economy, sharing common values and the decision to jointly participate in the development of tourism destinations. As Czernek (2012) points out, awareness of the key success factors of partnerships in tourism destinations is more important in Central and Eastern European countries, which do not have enough positive examples of partnerships, and a relatively short history in terms of their establishment (Beritelli et al. 2013).

DMOs represent various forms of partnerships in tourism destinations. According to Wang and Fesenmaier (2007), DMOs were established because of the need to plan, to coordinate and to promote tourism development in tourism destinations. They are responsible for managing and marketing the tourism destinations and for supporting the activities of stakeholders involved in tourism development. In turn, Volgger and Pechlaner (2014) characterised DMOs as a team consisting of experts who lead and coordinate destinations' stakeholders. Nowadays, DMOs are responsible for the fulfilment of marketing management tasks, representing the current approach to management of tourism destinations in countries with a developed tourism industry. Seaton and Bennett (1996) define destination marketing management as a process of which the essence is in influencing the level, timing and structure of demand in a way which enables a tourism destination to achieve its objectives. Its aim is to connect tour-

ism-related offers in a destination with its target visitor markets, bringing benefits to all stakeholders (businesses and organisations from the private and public sectors, visitors and residents) and tourism destinations as well. According to Morrison (2013) and Pike and Page (2014), the main tasks of DMOs are:

- leadership and coordination: setting the strategies and plans for tourism development in destinations and coordinating the effort of stakeholders toward achieving them;
- planning and research: the DMO as an enhancer of systematic planning and research needed to attain the set of a destination's goals;
- product development: to develop a destination's products in compliance with the supply of a destination and the needs of visitors;
- marketing and promotion: creating a marketing and communication mix as the predominant role of DMOs;
- partnership and team-building: the DMO as an instigator of the willingness to cooperate with stakeholders and to share responsibility for tourism development;
- community relations: an effort by the DMO to involve local community leaders and residents in tourism development and to monitor attitudes towards tourism.

DMOs enable individual stakeholders to take advantage of assets which are not possessed by them individually. The main advantages of the establishment of DMOs are coordination in tourism development planning, product development and branding, a growing number of visitors and other indicators of tourism development, the positive development of which will increase the competitiveness of the destination (Wang and Fesenmaier 2007; Valente et al. 2015). In addition to the ben-

efits, DMOs are also associated with some barriers that stakeholders should take into consideration before entering DMOs. The main barriers include the mistrust of potential members, their unwillingness to communicate and a fear of leakage of internal information. Furthermore, there is the diversity of potential partners, the disparity between them in terms of priorities and objectives, the effort to promote their own interests, and the inability to ensure the same benefits from the partnership for all partners (Fyall and Garrod 2005; Morrison 2013). The rationality for the establishment of DMOs in tourism destinations has been to enhance their competitiveness. Ritchie and Crouch (1993) created the most frequently cited concept in tourism: the Calgary model for the assessment of tourism competitiveness. The authors emphasise a destination's ability to provide higher-quality travel experiences for visitors than competing destinations. One of the elements determining a destination's competitiveness is destination management and the establishment of DMOs in the form of public-private partnerships.

2. Methodology of the research

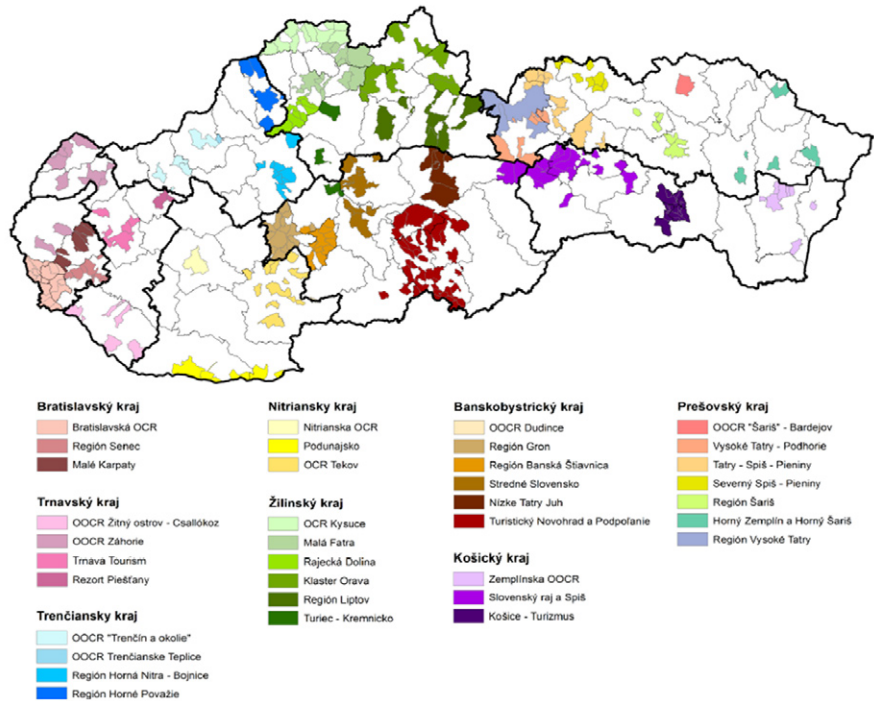
The paper is based on both primary and secondary data. Semi-structured interviews were used for obtaining primary data. We interviewed (in person and over the phone) the managers of all local DMOs in Slovakia (35) from September to December 2017, of whom 21 local DMOs agreed to participate in the research process. The purpose of the semi-structured interviews was to investigate selected aspects of the performance of local DMOs, their activities, benefits and barriers which negatively influenced their continued development. The interview has 14 questions (Appendix), whereas the paper presents

selected results. The data was processed by means of several statistical methods, primarily Friedman's test (non-parametric test for testing the difference between several related samples).

3. Analysis of DMO performance in tourism destinations in Slovakia

Case studies from countries with highly developed tourism industries highlight the necessity of the establishment of DMOs on national, regional, and local levels. The establishment of local DMOs in Slovakia allowed for the adoption of the Tourism Support Act no. 91/2010 Coll. (amended by Act no. 386/2011 Coll. and Act no. 556/2010 Coll.), which entered into force on 1 December 2011. The local DMO is a legal entity established to promote and create conditions for the development of tourism in tourism destinations and to protect the interests of its members. 36 local DMOs were operating in Slovakia in 2017.

Figure 1. An overview of established local DMOs in Slovakia (September 2017)



Source: Kidová 2017.

The largest number of local DMOs are established in Prešov (7), Žilina (6) and Banská Bystrica (6) regions. The act supports cooperation among stakeholders in tourism destinations. Taking into consideration the area of Slovakia and its single regions, having 36 local DMOs is too high. In addition to supporting tourism development in tourism destinations, local DMOs undertake different destination marketing management activities (Table 1).

Table 1. Activities of local DMOs

Order (Friedman's test)	Activity	Value (Friedman's test)
1.	Marketing communication	7.25
2.	Development and distribution of tourism products	7.45
3.	Destination branding	6.68
4.	Organisation of press trips, attending tourism fairs and exhibitions	6.56
5.	Operation of tourism information centres	6.07
6.	Strategic planning, research and development	4.95
7.	Training and education	3.89
8.	Development of services, attractions and tourism infrastructure	3.64
9.	Monitoring and statistics	3.03
10.	Implementation of quality systems	2.28
11.	Informing residents about the activities of the DMO	2.12

Source: Own elaboration.

One of the most persistent problems with the functioning of DMOs in Slovakia is the lack of coordination of activities between regional and local DMOs. The Tourism Support Act no. 91/2010 Coll., however, defines their competences almost identically. Consequently, it is important to have an internal agreement between regional and local DMOs when it comes to dividing their competences and tasks. This should eliminate the duplication of some tasks of regional and local DMOs, mostly in marketing communication. On the contrary, it would increase the emphasis on the fulfilment of strategic planning. Some managers of local DMOs consider these activities to be very important, while in other local DMOs these activities have a formal character and, ultimately, are of little importance. The absence of strategic planning will, from our point of view, negatively affect the development of tourism in tourism destinations in the long term.

Another problem area is the development of services, attractions and tourism

infrastructure in tourism destinations. As these activities demand financial resources, management of local DMOs does not focus on development of services, attractions and tourism infrastructure to a sufficient extent. In the opinion of management of local DMOs, the responsibility for these activities should be placed upon regional DMOs. We can conclude that, for the future of tourism development, it is necessary to have an agreement between local and regional DMOs on the division of tasks and responsibility for strategic planning activities. Taking into consideration the results of research, the focus of local DMOs on monitoring and statistics, the implementation of quality systems and informing residents about the activities of a given DMO is not sufficient. The limited number of employees of local DMOs, who do not have time for these activities, could be the reason behind this. The share of state subsidies in the total budget allocated to funding particular activities of local DMOs is illustrated in Table 2.

Table 2. The share of the total budget allocated to activities of local DMOs (2012-2017)

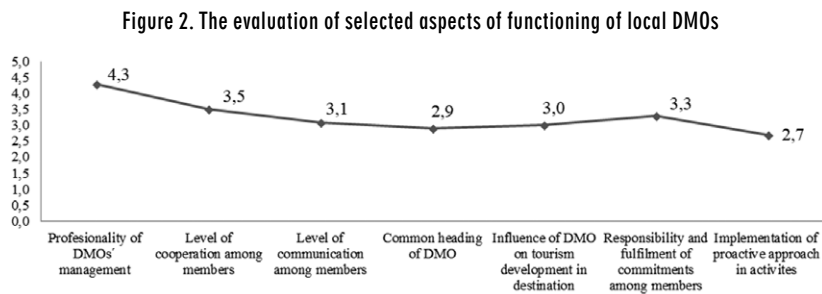
Activity/Share (in %)	2012	2013	2014	2015	2016	2017
Marketing communication	50.45	52.03	49.93	43.60	44.60	48.00
Product development	27.12	25.43	20.87	24.70	23.10	0.49
Development of attractions and tourism infrastructure	17.62	18.41	23.90	28.50	28.60	17.74
Operation of information centres	2.60	2.20	2.30	1.50	1.50	1.70
Education and training	0.95	0.21	0.77	0.76	1.00	1.10
Operation of booking system	0.54	0.80	0.73	0.00	0.00	29.82
Strategic planning	0.64	0.77	1.38	0.70	0.90	1.10
Implementation of quality systems in tourism	0.08	0.15	0.12	0.24	0.30	0.05

Source: Ministry of transport and construction of the Slovak Republic, 2018.

The subsidy is mainly allocated for funding marketing communication and product development. Only about 1% of these funds are also spent on strategic planning. The implementation of quality systems has the smallest share. With regard to trends in visitor behaviour, an insufficient amount

of money is allocated to the operational costs of tourist information centres and the operation of regional reservation systems as well. If such systems are developed, they enable users to book accommodation services. The implementation of these activities also requires co-operation with

stakeholders outside the membership of local DMOs. In order to fully evaluate the performance of these partnerships, we focused on identifying the key qualitative characteristics of local DMOs (Figure 2).



Source: Own elaboration.

The potential for improvement was identified in every aspect of the performance of local DMOs. We recommend that management of local DMOs carries out regular surveys aimed at detecting the opinions of their members, mostly on the issues of strategic objectives and internal marketing of DMOs and the activities undertaken. It will be beneficial to monitor and evaluate these results over time. Because of the heterogeneity of the members of local DMOs, we agree that achieving a consensus in terms of the organisation's vision, mission and strategic objectives is a challenge for management. The reason for this is, in particular, the efforts of the private sector to adapt the organisation's activities to their interests. The persistent individualism of some stakeholders and the

lack of financial resources can justify another problematic aspect, namely the lack of significant influence of the organisation on the development of tourism in destinations. One weakness of local DMOs is the application of proactive thinking in their activities. On the one hand, the management of local DMOs seeks to implement innovations and new ideas into traditional activities. On the other hand, this activity is confronted with the indignation of members and misunderstanding as to why "ubiquitous" practices in tourism destinations should be changed. Furthermore, it is important to illustrate the merits of the performance of certain tasks by local DMOs in terms of the benefits generated by their activity for tourism destinations (Table 3).

Table 3. Benefits to tourism destinations of local DMOs undertaking certain tasks

Order (Friedman's test)	Benefit	Value (Friedman's test)
1.	Tourism product development	8.06
1.	Common marketing communication and branding	8.06
2.	Growing indicators of tourism development	7.66
3.	Improvement in relations among stakeholders in tourism destinations	7.50
4.	Planning tourism development	6.75
5.	Better appeal to new target groups of visitors	5.56
6.	Sharing knowledge and know-how	4.86
7.	Supporting local producers of goods and services	2.78

7.	Improving the quality of life of residents	2.78
8.	Creating a common booking system	1.39

Source: Own elaboration.

The important contributions, from the point of view of the management of local DMOs for tourism destinations, are product development, marketing communication and branding of tourism destinations. As their members are public, private and non-profit organisations, the management of local DMOs also considers the improvement in their mutual relations a significant contribution. The growth of indicators of tourism development can be considered as one of the most understandable benefits of the establishment of local DMOs for all stakeholders in tourism destinations, for their clarity and good interpretative ability. In addition to tourism development indicators, it is relatively difficult to prove the benefits of their activity for the tourism destinations. Based on the findings, we can conclude that local DMOs do not focus on securing long-term economic,

social and environmental sustainability of tourism development in tourism destinations, and rather focus on short-term goals (benefits).

As one can see, the selected indicators of tourism development in tourism destinations in Slovakia are growing. Apart from the establishment of local DMOs, the positive economic and social situation of Slovakia is also a factor. Political uncertainties and safety concerns in many foreign destinations traditionally visited by Slovaks (Egypt, Tunisia, and Turkey among others) are also key factors enhancing domestic tourism as well.

As it is necessary to declare the merits of the performance of local DMOs in the form of their benefits, it is also necessary to openly discuss the barriers, or obstacles, affecting their activity (Table 4).

Table 4. Identified barriers to be overcome by local DMOs

Order (Friedman's test)	Barrier	Value (Friedman's test)
1.	Lack of financial resources	9.23
2.	Expectations of members demanding immediate results	8.60
3.	The lack of authority of local DMOs in destinations	7.79
3.	Members of the DMO are not the key stakeholders in tourism destinations	7.44
4.	Absence of strategic planning in tourism development	6.08
5.	Legislation	6.08
6.	Mistrust and reluctance of members to communicate	5.67

Source: Own elaboration.

The barriers affecting the performance of local DMOs can be divided into internal and external barriers. A major internal barrier is the mentality of some members of local DMOs demanding immediate result from their memberships, in the form of an increased number of visitors, sales, overnight stays, and other indicators as quickly as possible. In practice, the management

of local DMOs faces the difficult task of explaining the importance of membership, especially in the long run, and motivating members to subsist and be patient.

Another significant internal barrier is the individualism of key stakeholders operating in tourism destinations and their unwillingness to be members of DMOs. These stakeholders are aware of their dominant

position, and it is difficult for DMO management to explain that, in the long-term, membership in the organisation is an advantage, due for example to unpredictable fluctuations in the tourism market, or better appeal to their target markets.

The main external barriers are primarily a lack of financial resources and legislation. Since local DMOs are state contributory organisations and their ability to generate their own resources is considerably limited by the Tourism Support Act no. 91/2010 Coll., subsidies and membership contributions are crucial sources of funding. The amount of financial resources influences the quantity and quality of the activities provided. For the most serious problems associated with public funding, we consider it a necessity for local DMOs to complete the public procurement process, the clearly defined purpose of using subsidies only for the activities determined by the Tourism Support Act no. 91/2010 Coll. and the time gap between the submission of applications by local DMOs for subsidies (the end of March of the calendar year) and the allocation of subsidies (from May to August of the calendar year). This leads to inefficient and sometimes unnecessary spending by local DMOs.

Conclusions

Nowadays, innovations are considered a key success factor for tourism development in destinations and an essential precondition of their long-term competitiveness. Both academics and practitioners agree that the establishment of DMOs in tourism destinations is inevitable. DMOs are the outcome of institutional innovations in destination management as the main consequence of globalisation, high competition and the fragmented nature of tourism destinations. In terms of research into cooperative forms within tourism destinations, the uniqueness of the tourism

industry and its services should be considered.

The establishment of partnerships in destination marketing management was permitted in Slovakia after the adoption of the Tourism Support Act no. 91/2010 Coll. Since 2012, when the first local DMOs were established, several surveys focused on their activities have been carried out. The aim of the paper is to analyse the activities of destination management organisations in Slovakia, to identify their impact on tourism development and to determine the internal and external barriers to their further development. We can conclude that the local DMOs focus their marketing management activities primarily on marketing communication, product development and branding, and spend the largest amount of funds on these activities as well. Based on the assessment of selected aspects of the functioning of local DMOs, we identified the level of communication and cooperation of members and the application of proactive thinking in the activities of local DMOs in Slovakia as areas for future improvement. The survey further confirmed the persisting barriers that negatively affect the activities of local DMOs, which are the expectations of their members demanding immediate results, the lack of financial resources needed to ensure the implementation of marketing management activities, and the reluctance of key actors to become members of the organisation. In order to eliminate the identified internal and external barriers, it is necessary to stimulate a professional discussion in which all stakeholders as well as scholars should be represented in order to increase Slovakia's competitiveness on the tourism market.

The managerial implication of the paper is its contribution to existing knowledge by providing a quantitative analysis of the performance of DMOs in Slovakia, and

empirically identifying the barriers which affected their future development. The paper also has its limitations, the most significant of which is the analysis of the performance of local DMOs over a short period of time, since the Tourism support act no. 91/2010 Coll. which provided the subsidy for local and regional DMOs was approved in 2010, and received the first funding from the state budget only in 2012.

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Appendix

The research questionnaire

1. What was the primary motivation for the establishment of the DMO? Please state max. 3 most important motives.
2. Which activities do you undertake with the aim of supporting tourism development?
Which component of destination marketing management do you consider to be most important? (human resources, tourism products, distribution, destination branding, partnership and cooperation in terms of destination, quality management)
3. Which tourism products are you developing for visitors (packages, thematic routes, regional cards, events)?
4. How do you ensure the distribution of these products?
5. Did you participate in the development of destination branding? Can you describe this process?
6. How do you ensure the quality of the products/services provided at the destination?
7. How many employees does the DMO have? What education do your employees have?
8. Do you provide further training for your organisation's employees? If so, how? If not, why?
9. How do you ensure communication and the exchange of experience among your organisation's members? What importance do you attribute to this way of communication? (1- not important, 5- very important)
 - organising formal meetings resulting from statutes;
 - organising informal meetings initiated by the management of the DMO;
 - organising informal meetings initiated by members of the DMO;
 - email communication, telephone contact;
 - communication within the work teams;
 - other
10. Do you collaborate with public and/or private sector organisations that are not members of the DMO? If yes, in which activities?
11. Please evaluate the selected aspects of the DMO (1 – very bad, 5 – very good)

- professionalism of the DMO management;
 - level of cooperation among members;
 - level of communication among members;
 - common heading of the DMO;
 - influence of the DMO on tourism development in the region;
 - level of responsibility and fulfilment of commitments among members
 - implementation of a proactive approach in activities.
12. What do you consider to be the main benefits of the establishment of the DMO at tourist destinations (social, economic, environmental benefits)?
 13. What do you consider to be the main barriers negatively influencing the performance of the DMO?
 14. Does the DMO have a methodology developed to evaluate its performance relative to the achievement of its goals?