

# DESTINATION MANAGEMENT: THEORETICAL BACKGROUND AND PRESENT PRACTICE

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## Abstract

Destination management is an advanced form of tourism management successfully applied abroad where it develops constantly. Destination management came into focus there as early as the sixties of the 20th century, while in the Czech Republic quite a bit later, approximately in the second half of the nineties. This is apparent also in professional literature. An array of authors, both foreign and domestic, engage in destination management at present. However, the domestic authors proceed primarily from foreign experience as destination management hasn't a long tradition in the Czech Republic.

Destination management is based on cooperation of involved subjects, which is regarded as an important prerequisite for further development of tourism. Nevertheless, cooperation of various subjects from the public and the private sector isn't an easy matter and so attention is aimed to various approaches to effective destination management. The paper deals with theoretical background of destination management. Besides, an item of interest is also its application in practice. The paper examines principally the situation in the Czech Republic with the aim to find out the level of tourism management in its particular destinations.

**Key words:** destination management, tourism, destination management organizations

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## Introduction

Tourism market is currently a highly competitive market and it is not easy to successfully compete on this market. The same applies for tourist destinations. And more than that, new non-traditional destinations compete for visitors with traditional favourite tourist destinations that already compete for tourists among themselves. And this is the reason why new forms and strategies of tourism management are currently applied in traditional tourist countries. These new forms and strategies are called „destination management“. Destination management is a system based on mutual cooperation of involved tourism market

undertakings and on coordinated management under which, on the regional level, competitive units are created that are able to design and present competitive offers and to succeed with such offers on both the domestic and the international markets.

Effective destination management requires the application of the same set of skills as are the skills applied in other organizations' management. Attention must be given to planning, organization, decision-making, motivation, communication, marketing and to all other activities that are typically used in organizations' management. For management of tourism cooperation among public, private and non-governmental sectors is essential. On the other hand this represents certain problems arising from the different characteristics of these sectors. What is also important in tourism is the balance among interests of suppliers, long-term environmental concerns and requirements and expectations of customers. Each of these participating subjects tries to maximize its benefits and thus conflicts among these subjects arise.

Destination management objectives are to establish good cooperation among the public, the private and the NGO sectors, to provide for effective financial flows in tourism, and for coordination of all service providers cooperation. Destination management should represent interests of tourists but as well interests of visited destinations' inhabitants, and all this should work under the condition of sustainable tourism.

Buhalis (2000) stresses four general strategic goals on which destinations should focus. These goals are: to increase long-term prosperity of local inhabitants, to maximize satisfaction of visitors, to maximize profits of local companies and to maximize multiplication effects and optimize tourism impacts by providing for sustainable balance between economic benefits and socio-cultural costs and environmental costs.

Regarding destination objectives there arises the question who actually should fulfil these objectives because the general response that this should be the „destination“ is quite foggy. In practical life to suit this purpose destination management organizations are created. The fundamental task of such organizations is to interconnect legally independent tourism service providers and to coordinate their mutual cooperation for the benefits of the entire destination.

Regional cooperation in tourism is usually focused firstly on joint promotion of the destination, however these activities in many cases do not provide for better utilization of the existing potential. Destination management is a qualitative step forward since destination management does not provide only for joint promotion, but it provides for joint offers with complex services and the placement on the market.

Destination management is labelled to be the most sophisticated tourism management. In foreign countries destination management develops even further, it develops to the level of destination governance and further to the newest approach which is destination leadership (Beritelli & Bieger, 2014).

This paper deals with the topic of approaches to destination management. This paper summarizes destination management theoretic foundations, their development over time, and that primarily based on foreign sources. This paper also deals with tourism development in the Czech Republic, both from the theoretical and the practical point of view. In this paper we also present results of our own research on destination management organizations in the individual Czech Republic regions with the objective to find out what is the level of destination management in the Czech Republic.

## **1 Theoretical background of destination management**

In foreign countries destination management has been the subject to relatively long development. Destination management has been more profoundly studied since the nineties of the 20th century. However, the concept of destination was mentioned in professional literature much earlier. Medlik (1969), for instance, talks not only about tourism destination, but he also already mentions the need to have tourism organizations that would create frameworks for tourism operation in destinations and would develop the tourism product. Other authors have been dealing with destination management in its broader relations since the nineties. Next to more precise definition of the destination (Bieger, 2005) the attention is given also to its individual components (Buhalis, 2000), but also to destination types (Buhalis, 2000; Laws, 1995). Bieger and Beritelli (2013) characterize a system of destination that they see as a set of elements that have certain mutual relation. According to these authors the system of destination management has an internal element comprising attractive tourist sights, hotels, other service providers, infrastructure and so on, but it has also external environment comprising of the economic, the nature, the social and the political environments.

Bratl and Schmidt (1998) divide the development of destination management into three phases. These phases are: the development phase (sixties of the 20th century), the growth phase (seventies-eighties of the 20th century) and the concentration phase (nineties of the 20th century). The development phase is, in their view, characterized by promotion activities executed by various societies and associations. The growth phase is the phase of building cooperation among various tourism subjects based on strategic partnership and the

concentration phase is the phase of strategic management and cooperating subjects, it is the destination management phase.

Plzáková and Studnička (2014) describe various concepts of tourism management in destinations such as tourism body, destination management organizations, cluster, network or the concept of a „learning region“. Ritchie and Crouch (2000) see tourism policy to be the fundamental element of tourism competitiveness. Tourism policy should provide for such environment and such conditions under which tourism shall flourish, however, in a sustainable manner.

Two approaches are typical for current destination management, the Anglo-Saxon and the German approach. These two approaches differ primarily in the way they look at destination management activities, that means how they view destination management organizations' activities.

The German approach is represented by Swiss professor Bieger (1996). Bieger defined the basic functions of destination management. These functions are: the planning function, the supply function, the representation of interests and marketing function.

In the views of the authors who represent the Anglo-Saxon approach this approach differs from the German approach (e.g. Jenkins, 2000; Page, 2007; Pearce, 1992), however in some points these approaches overlap. For instance Pearce (1992) states the following functions of destination management: marketing, provision of services to tourists, development, planning, research, coordination and lobbying. Jenkins (2000) stresses that destination management organizations cannot concentrate only on marketing and promotion without providing for the management of tourism, product development and tourism infrastructure. On the contrary Page (2007) extremely stresses marketing, operation management and human resources management in the destination, but does not consider destination management important. He focuses on individual elements of tourism such as transportation and accommodation.

Destination management is step by step moving towards so called destination governance and the latest development indicates a shift to destination leadership. Beritelli and Bieger (2014) state that destination governance deals with structures and processes, that is with mechanisms that explain „how“ and „why that way“. In contrast to that destination leadership deals with issues as „who“ and „why those“. The authors at the same time formulate a hypothesis that destination leadership is an additional dimension to destination governance.

Other authors such as Bornhorst, Ritchie and Sheehan (2010) research into tourist destinations' success factors and the links of these factors to success of individual destination management organizations. They admit that certain destinations can be under certain conditions successful by their own merits, however they suggest that the destination management organization can strengthen this success. The success of tourist destinations and of destination management organizations, in their view, show certain similar features, but also major differences. They stress primarily the importance of relations with suppliers of services, but also the relations with local inhabitants and local administrations.

Volgger and Pechlaner (2014) also deal with success of destination management organizations and tourist destinations. They observe primarily what role the ability to network in destination management has. They claim that the ability to network increases the influence of the destination management organization and its acceptance as an important actor in the destination, which can gradually increase also its success.

## **2 Destination management in the Czech Republic**

In the Czech Republic tourism management has currently three levels. These levels are the national level, the regional level and the local level. The Ministry of Regional Development of the Czech Republic provides for this management on the national level. Regional administrations are responsible for the management on the regional level and municipalities are responsible for the management on the local level. The CzechTourism agency is the coordination body of tourism on the national level. The CzechTourism is managed by the Ministry and it is accountable for its activities to it. However, the coordination and management of tourism is not a simple task. It is a complex issues since in the Czech Republic there are both independent self-administration regional bodies, the regions, and next to them there are also „tourist regions“ defined by the CzechTourism. A tourist region is a more compact destination with a number of attractive sights, which is more favourable for tourists, but it is more complex from the point of view of management and financing. The main issue is that some tourist regions overlap into more than one administrative region.

Tab. 1 summarizes results of a survey that has been executed in order to map the current situation in tourism management in the Czech Republic with focus on destination management organizations and on activities of these organizations. Regions (regional self-administration bodies) have been selected as a basis for this survey. Within the individual regions destination management organizations are observed based on a topical list of these

organizations created by the CzechTourism. These organizations are active mainly on the regional level. Next to these organizations there exist a lot of other undertakings of various types that operate only on the local level. However, such type of organizations was not included in the survey since their activities have only marginal connection to destination management. The surveyed destination management undertakings have various legal forms and operate under various labels, e.g. destination management, destination management organization, tourism centre, destination agency, association, regional development agency, tourism cluster and similar.

**Tab. 1: Destination management organizations in the Czech Republic**

Region	Number of tourist regions	Number of DMO	DMO – Year of establishment	Founder/Founding body			Type of legal entity	Activities
				V	S	V+S		
Praha	1	1	1958		1		1x C	M,S
Středočeský	2	4	1997, 2004, 2005, 2008	1	2	1	3x A, 1x B	M,S,K,Ko
Jihočeský	2	2	2009, 2016	2			1x B, 1x C	M,S,K,Ko
Karlovarský	1	1	2004 (2016)		1		1x A	M,S,K
Ústecký	1	6	2001, 2009, 2x 2010, 2x 2011	5		1	5x A, 1x C	M,S,K,Ko
Liberecký	3	3	1992, 1998, 2005	2	1		1x A, 2x E	M,S,K
Královéhradecký	3	6	2x 2000, 2004, 2005, 2x 2009	3	1	2	2x A, 1x B 2x E, 1x D	M,S,K,Ko
Pardubický	1	2	2007, 2008	1		1	1x C, 1x D	M,S,K
Vysočina	1	1	2008	1			1x C	M,S,K
Moravskoslezský	1	7+1*	1991, 1998, 2008, 2011, (2003) 2013, 2014, 2015	5		3	2x A, 1x B 4x E, 1x other	M,S,K,Ko
Olomoucký	1	2*	1999, 2006				2x E	M,S,K
Jihomoravský	1	1	2005			1	1x E	M,S,K,Ko
Zlínský	1	1 + 1*	1999, 2014	1			1x A, 1x E	M,S,K
Plzeňský	2	1	1992			1	1x A	M,S,K

\*founder not announced

DMO – destination management organization, V – public sector, S – private sector, A – charitable trust, B – limited liability company, C – contribution-based organization, D – union of municipalities, E – association, M – marketing, S – tourism entities cooperation, K – coordination, Ko – communication

Source: authors

As is illustrated in Tab. 1 some administration regions overlap into more than one tourist region. Regions such as Středočeský, Jihočeský and Plzeňský overlap into two tourist regions, and Liberecký and Královéhradecký even into three tourist regions. It influences the

activities of these regions since they have to meet rules set by more than one regional administrations. Also it is clear from Tab. 1 that in each region there is a different number of destination companies, while the most destination companies are in following regions: Moravskoslezský (8), Ústecký (6) and Královéhradecký (6). Prague City Tourism is a specific organization. It is not a classic destination management organization, however, it is included in the survey since it does marketing activities and takes care of tourism in Prague.

Destination management organizations started to operate at the beginning of the nineties in the last century and this development process has continued up to now. Data in Tab. 1 prove that. This is related to development of tourism after year 1989. Step by step there have been created new regional destination management organizations for various geographical areas. From year 2005 onwards destination management organizations have been established by regional administrations. The collected data show that these organizations have been created non-evenly in time. In some regions the organization was established soon after 1989 (Moravskoslezský 1991, Liberecký 1992). On the other hand in Jihočeský region the organization was established only ten years later, in year 2009. In Karlovarský region such an organization is currently just under preparation. What is being created is a regional destination agency for marketing of the region and its name is Lively Region (Živý kraj). The creation of this organization is however accompanied by a number of problems. Municipalities of attractive tourist places such as Františkovy Lázně, Jáchymov, Mariánské Lázně or Boží Dar have decided not to join this agency. They argue that the amount of money to be paid as a membership fee is too high and they wonder if these contributions shall be used in an economic way.

We have also found out that the large majority of destination management organizations are founded by the public sector. The most frequently used type of legal entity for destination management organizations is charitable trust („=common benefit company“) (40 %) and then association (30 %), then it is public contribution organization (12 %), limited liability company (10 %), union of municipalities (5 %) and other (3 %). The survey has also looked into main activities of the observed organizations, which are marketing, networking/cooperation among subjects, coordination and communication. As is illustrated in Tab. 1 nearly all organizations provide for marketing activities, for cooperation among subjects and for coordination activities, all these activities are performed by them. It is obvious that these organizations realize the importance of cooperation between the public and the private sectors. Communication is an essential part of a developed destination management and it is not possible to manage tourism properly without communication. Data

in Tab. 1 are based on data reported in public registers. However, we cannot state that the relevant organizations do not perform any other activities, which means activities that are not reported in the public registers. On the other hand, the question is how, in reality, those activities that are reported in the public registers, are executed. This will be the subject of further research.

Financing of destination management organizations usually comes from more than one source. Subsidies are the largest share of financing for these organizations, then members' grants, members' contributions, gifts, revenues from additional economic activities and similar sources. Own revenues and members' contributions are the main financing resources for destination management organizations, however these financial resources cover hardly the operational costs, and they are not sufficient to cover any additional activities costs. This means that the organizations, in majority cases, depend on external resources.

The above-stated facts show that individual regions do what they can to manage tourism. However this management is scattered and not unified. The relevant organizations are established either based on a local administration body decision or based on private actors' incentives, or based on both of these incentives respectively which is often not-coordinated and not well organized. Major problem of tourism in the Czech Republic is non-unified financing of destination management organizations so these organizations in many cases have not stable regular long-term financing to cover the costs of all essential activities. They are thus limited to organization of tourism with short-term horizon and they cannot plan for any long-term horizon activities.

## **Conclusion**

Destination management development, as a sophisticated form of tourism management, is complicated in the Czech Republic by a number of factors. One of these factors is a problematic cooperation of non-unified tourism subjects, primarily of the public and the private sectors. Each of these sectors operates on different principles and has different objectives. The business sector provides tourism services and meets the needs of tourists with the objective to have economic profits. State administration and municipal administration see their activities in tourism as a political task that they must fulfil. They take care of national heritage, they take care that life in tourist destinations is not disrupted and they attempt to have sustainable tourism development. Interest of the public and the private sectors may clash and the management is then yet more complicated.



In the Czech Republic there is also another complicated issue, this issue is the non-existence of a legislative act that would cover tourism, including its financing, in a complex manner. A draft act on support to tourism development had been prepared for a long period of time. This draft act was supposed to be a base for setting rules for this area, including financial sources. The discussion over this draft act was however postponed indefinitely and the Ministry of Regional Development gave up on this draft discussion. Therefore new ways are looked into to find out how to provide, in some other manner, for this missing legislation. One of the proposals how to solve this issue is the idea that The Association of Regions would become the coordinator of tourism activities. Next to that there are also discussions over definition of methodologies that would define quality standards and also methodologies for definition of destination management organizations scope of activities. In year 2016 a new program should be opened and a portion of financial resources from this program should be allocated concretely for destination management organizations activities. There are also critical comments on this activity in the sense that first of all a functioning system must be designed in order to use the allocated money in an effective way.

In agreement with the above-mentioned theory by Bratl and Schmidt (1998) it can be stated that destination management is currently in a growth phase in the Czech Republic. There exist destination management organizations that do the promotion activities and next to that they try to cooperate on a broader scale. However, what is missing is strategic management with fully cooperating subjects and the coordination of their activities. Developed tourism destinations were in this phase of development in seventies and eighties of the 20th century and they are much more advanced in the area of destination management. The Czech Republic should utilize available experience from abroad to develop its destination management.

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