Strategic approach to tourism destination management

Lahorka Halmi, Kornelija Severović
Karlovac University of Applied Sciences

Abstract: Managing tourism in a sustainable manner requires a strategic approach and frame thinking, being particularly emphasized at a tourism destination level alluding to collaboration of many and various stakeholders, thus trying to establish and retain a competitive edge. In order to achieve this, tourism destinations have a need for a destination management that is to manage organizations and stakeholders’ interests through strategic and operational approach. The aim of this paper is to provide theoretical understanding of strategic tourism destination management and of the Balanced Scorecard, based on the preliminary research of towns and municipalities within the administrative borders of the Karlovac County.

Key words: tourism destination, tourism destination management, sustainability, strategy

1. Introduction

Tourism destination is to govern its development, which requires integrative planning, meaning analysis of the destination, vision, goals, strategy formulation, operative plans, control (Bartoluci, 2013, p. 170) and evaluation of both achieved and not achieved results. As a physical space in which a tourist spends at least one overnight, tourism destination includes tourism products such as support services and attractions and tourist resources, has physical and administrative borders that define its management and market competitiveness defined by images and perceptions of tourists (UNWTO, 2007, p. 1). Destination management can be identified as a strategic approach to the co-ordinated management of all the elements that make up a destination (such as attractions, amenities, access, marketing, pricing) linking sometimes ultimately separate entities with the aim of a better management of the destination (UNWTO, 2007, p. 12). Advantages of (strategic) destination management are (UNWTO, 2007, p. 9): establishing a competitive edge, ensuring tourism sustainability, spreading the benefits of tourism, improving tourism yield, building a strong and vibrant brand identity.
UNWTO (2007, p. 136) suggests the following forms of governance for destination management: department of single public authority, partnership of public authorities serviced by partners, partnership of public authorities serviced by a joint management unit, public authority(ies) outsourcing delivery to private companies, public-private partnership for certain functions (of a non-profit making company), association or company funded purely by a private sector partnership and/or trading (for certain functions).

Destination management is to govern the interests of various stakeholders within the tourism destination (Pechlaner, Volgger, and Herntrei, 2012) and keep them in balance. To achieve this, the destination management (Gajdošik et al., 2015) is in need of relevant information provided by the strategic management and strategic management accounting tools (Mihalič, Žabkar, and Knežević Cvelbar, 2012; Antonio and Serra, 2015).

One of the tools of strategic planning and strategic management accounting is Balanced Scorecard (BSC) (Hoque, 2003: 169, Jones, Atkinson, Lorenz, and Harris, 2012, p. 266), proposed by the European Commission as one of the options for strategic management of tourism destination (Blažević, Peršić, 2012, p. 183; EC, 2004, p. 51). BSC model has been developed at the beginnings of the 1990s by Kaplan and Norton, with the idea of steering the business entity towards future events, as opposed to conventional decision making regarding future which was based on financial statements generated from the past events.

Thus, the aim of this paper is to provide understanding to theoretical frame of strategic tourism destination management through the lens of the Balanced Scorecard. The goal is to implement theoretical understanding onto the tourism destination as a micro-location in central Croatia, distinguished by its geographical position and nature, due to which this destination has a potential for development of various forms of tourism, such as transit tourism and continental tourism. Application of these findings refers to the towns and municipalities in the Karlovac County with the intention of implementing these to business cases.

2. Sustainability balanced scorecard (SBSC)

Conventional BSC is made of four perspectives of entity activities (learning and growth perspective, internal process perspective, customer perspective, financial perspective) or areas that are to be monitored simultaneously through both tangible and intangible measurement for successful business.

By determining measurements for each goal set in each of the perspectives, BSC enables translating these goals into measurable values, which measure the level of their achievement. In strategic planning indicators are of an extreme importance, for they provide precise defining of the goals set, assessing the level of their achievement, and the improvement of integrative planning and destination management (WTO, 2004, p. 305).

Since it can accommodate both financial and non-financial measures, BSC model became an object of research for expanding it with the environmental and social dimensions of the sustainable development, being applicable for business entities and tourism destinations alike, the role of it being assisting tourism destination management in governing and carrying out its strategy by implementing sustainability criteria (Vila, Costa, and Rovira,

There are several suggestions for expanding the conventional BSC model with environmental and social dimension (Butler, Henderson, and Raiborn, 2011, p. 4; Kang, Chiang, Huangthanapan, and Downing, 2015, p. 126) by:

- integrating sustainability indicators into the conventional BSC perspectives,
- adding additional, fifth perspective to the conventional BSC model,
- creating separate SBSC model,

whereas Bieker and Waxenberger (2001, p. 7) suggest a more complex approach for integrating environmental and social dimensions into the BSC model by:

- integrating environmental and social indicators partially or completely into the conventional four perspectives (retaining four perspectives),
- adding the fifth sustainability perspective (amplifying the conventional four perspectives),

all of which complies with the original idea of the BSC model as a strategic management and strategic management accounting tool being adapted to the needs and demands of the entity management (Kaplan and Norton, 1996, p. 34), in this case being the destination management.

The aims of introducing and implementing (S)BSC model are to establish and maintain a balanced management system, improve strategy operationalization as well as transparency and communication of the goals (Peršić and Janković, 2006, p. 557). Another benefit of a BSC model is structuring the indicators based on the value creation process as well as using the strategic map of causal relationships between different variables (Vila et al., 2010, p. 233). The impact and demands of the external and internal entity’s environment ought to be considered in the process of (S)BSC creation and selection of its indicators that are to reflect the needs of each individual business entity, i.e. destination management. In a research on the subject of SBSC model for tourism destination done in Spain in 2005 (Vila et al., 2010, p. 234), the following perspectives had been defined:

- infrastructures and resources,
- activities and processes,
- relationships: residents, tourists, visitors, organizations,
- economic results,
- social results,
- environmental results.

These perspectives with its respective indicators have been proposed for the Karlovac County:

- infrastructures and resources: investment capacity, fiscal and economic instruments, infrastructure development, legislative development, human resource training, human resource motivation, human resource productivity,
- activities and processes: tourism planning, destination attributes, resource value enhancement, development of marketing strategies, process quality, product and service innovation and development, managing processes with environmental impact,
– relationships (residents, tourists and visitors, and organizations): residents’ satisfaction, satisfaction of tourists and visitors, public and private organizations’ satisfaction, cooperation, integration and participation, public administration participation,
– economic results: economic structure, tourism activity’s economic impact, tourism demand structure, tourism supply demand, price level, economic profitability, diversification/ specialization, seasonality, destination’s competitiveness,
– social results: population’s income level, residents’ quality of life, integration and social cohesion, social equity, population balance, education, health, employment, safety,
– environmental results: natural heritage and biodiversity, urbanism, planning a construction, landscapes, atmosphere, energy, waste production, cultural and historic heritage.

3. Methodology

The questionnaire used in the research was based on the questionnaire used in a research done in Spain in 2005 (Vila et al., 2010).

The questionnaire was divided into two sections. The first section refered to the principal attributes of tourism destination management (this also being the part of the questionnaire that required adjustments to the area of questionnaire administration), where the following had been required:
– inclination towards a form of tourism,
– presence and the type of the strategic and/ or operative acts for planning and sustaining of tourism in the Karlovac County area.

The second section of the questionnaire dealt with assessing the importance of the indicators proposed on a Likert scale 1–5 (1 being the least important; 5 being the most important). Median of each variable was calculated and the three indicators with the highest scores were proposed for the SBSC model.

The questionnaire was administered through the Google Forms. A link to the questionnaire with the augmented explanation of the research was e-mailed to a total of 22 e-mail addresses found at the Karlovac County directory website (Karlovačka županija, 2014), that is to 5 towns and 17 municipalities within the Karlovac County administrative borders. The questionnaire was available from 23rd July until 11th September 2015. Out of 22 e-mails sent out, 3 of them returned with an automated reply that the e-mail could not be delivered to the recipient (the Barilović municipality, the Generalski stol municipality, the Žakanje municipality), thus reducing the sample to 19 e-mail addresses. Due to a low respondence, on 7th September 2016 the initial e-mail was repeated, thus increasing the respondence significantly to 42.10% (4 towns and 4 municipalities).

4. Research results and proposal of the Karlovac County SBSC model

Four (out of 8 responses) towns/ municipalities had some kind of (strategic) act for planning of tourism development, out of which one municipality had even 3 acts for planning and governing the tourism development in their area. As to the availability of these acts on the Internet, the results revealed that 4 (out of 5) towns and 5 (out of 17) municipalities have
some kind of a strategic act that included the development of tourism in the area concerned, while 3 municipalities were in the process of creation of these acts at the time of the survey.

The survey results indicated the following forms of tourism are present in the Karlovac County: hunting and fishing tourism, transit tourism, sports tourism, recreational tourism, cultural tourism, event tourism.

Acknowledging the attributes of the BSC model and the possibility of upgrading it and/or choosing the perspectives unique to the business entity, six perspectives with respective indicators have been determined for the Karlovac County as a tourism destination. The second section of the questionnaire referring to the assessment of importance of indicators resulted in the following indicators:

– infrastructures and resources: investment capacity (4.50), infrastructure development (4.50), human resource motivation (4.33),
– activities and processes: tourism planning (4.75), resource value enhancement (4.75),
– relationships (residents, tourists and visitors, and organizations): satisfaction of tourists and visitors (5.00), cooperation, integration and participation (4.50), public administration participation (4.50),
– economic results: economic structure, tourism activity’s economic impact (4.25), tourism demand structure (4.25), destination’s competitiveness (4.25),
– social results: health (4.50), safety (4.50),
– environmental results: natural heritage and biodiversity (4.75), landscapes (4.75).

For each of the perspectives 3 indicators with the highest mean scores have been suggested, thus making a total of 18 indicators for the SBSC model as whole, hence keeping in line with the Kaplan and Norton’s suggestion for a total number of indicators in the BSC model that ‘20 is plenty’ (Kaplan and Norton, 1996, p. 36).

Destination management is to decide on the third indicator for the perspectives (social results, environmental results, activities and processes) where only two indicators have been suggested due to the same ranking of several indicators.

The question on the existence of the strategic acts for the planned tourism development of the concerned area was a filter question. The reason for this is the very nature of the (S)BSC as an instrument for strategic planning, i.e. an instrument for translating mission and vision into the measurable values that are designated by strategic acts. Four out of eight questionnaires indicated the existence of the strategic act for governing the development of tourism, the response rate was 21.05%, this being considered a representative result for the Karlovac County. The awareness of the importance of tourism and entrepreneurship activities of the local residents will have a great impact in the assessment of the importance of these indicators.

Strategic acts link different stakeholders present in a tourism destination (Franzoni, 2015, p. 24), recognizing them as strategic business units (SBU).

The determined strategic act for a destination ought to comprise all dimensions that must be managed in order to keep the destination at a competitive edge, thus comprising the product and service sales plan, income plan, cost plan, investment plan, human resource plan and alike (Bakija, 2014, p. 256). All these goals are to be translated into measurable values by choosing the indicators and their measurements through the SBSC model that are to be linked
with lower organizational units of a tourism destination (stakeholders) through the cascading SBSC model, i.e. transformed to the goals of the lower organizations present in the destination.

There is a Tourism Master Plan that as a strategic act encompasses two counties, the Karlovac County and the Lika-Senj County (ADE, 2008), which was a guideline in creating strategic acts of individual towns and municipalities that were regarded as a SBU. As already mentioned, 9 towns and municipalities in the Karlovac County have some kind of strategic act, whereas few towns and municipalities are in the development process of these documents. The above mentioned Tourism Master Plan has set the guidelines for further development of tourism in this area (ADE, 2008): environment protection, engaging in tourism development adjusted to the market trends, area unity assessment, cohesion assessment of the area. These guidelines can be easily recognized in the suggested perspectives of the SBSC model which was tested in the developed tourism destinations (Spain).

When considering external and internal environment of the Karlovac (and Lika-Senj) County (Counties) as determinants of mission and vision of the destination, the goals of this tourism destination are considerably different than the goals of tourism destinations in Spain (Vila et al., 2010, p. 237). Therefore, the operationalization of mission and vision through the SBSC model for the Karlovac County is to be grounded in the goals listed in the Tourism Master Plan of the Karlovac and Lika-Senj County (ADE, 2008, pp. 44–46) and the actions necessary for their achievement (Table 1).

<table>
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<tr>
<th>Objectives</th>
<th>Actions</th>
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<td>1. Creating a supportive environment for tourism development of the project area.</td>
<td>1. Creating and establishing a well defined institutional framework for development of tourism and quality of destination management of the area by a) redesigning present tourism-relate institutions, b) initiation of a new structure established on public-private partnership.</td>
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<td>2. Creating a service network for private entrepreneurship and investments for tourism-development related projects (financial and advisory support, tax and other alleviations) as well as continuous support to the development related initiatives (new forms of accommodation, product sources, rural tourism, local cuisine, souvenirs, crafts, etc.).</td>
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<td>3. Careful protection of the natural environment of the national parks, other protected areas and of the project area in general.</td>
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<td>4. Enhancement of tourism standards and the qualification level with the aim of providing qualitative tourism management and services in aforementioned mission.</td>
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<td>5. Defining a unique tourism-oriented policy that is to cover the whole project area with a special emphasis on traditional values, customs and local lifestyle.</td>
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### 2. Establishing tourism infrastructure that will answer the demands by offering various tourism experiences in the project area.

1. Accommodation section improvement (availability, quality, diversity). Improvement of present hotels according to international standards and requirements; diversification of present accommodation by starting small family-managed hotels, bed and breakfasts, and thematic hotels compatible with the tourism offer of the area.
2. Improvement of restaurant and retail sector offer—food, beverages and retail trade ought to reflect the overall uniqueness of the area. Increase the number of restaurants and retail units with local cuisine, beverages and crafts. Improve their quality (sort, diversity of the offered dishes, general appearance) and service quality.

### 3. Diversification of tourist products/attractions.

1. Develop diverse high-quality tourist experiences (integrated tourist products) grounded in a diversity of natural and cultural resources that provide tourist activity throughout the whole year.
2. Create new and innovative tourist experiences and/or products as a result of an established tourism value chain in the area.
3. Create prerequisites for perennial tourism activities with the purpose of reducing the tourism seasonality.

### 4. Achieving recognition in the tourism market.

1. Market repositioning and creating image by the means of effective commercialization of key tourist experiences and products.
2. Decreasing dependence on a low number of the former markets, market segments and distribution channels.
3. Establishing effective and coordinated marketing and sales efforts.

**Source:** Authors’ own elaboration according to ADE (ADE, 2008, pp. 44–46).

In order to operationalize the objectives set forth in the Tourism master plan of Karlovac and Lika-Senj Counties, the creation of individual strategic acts of towns and municipalities ought to comply with the master plan, and the objectives in these documents are to be derived from the objectives listed in Table 1. When considering the current resources and level of development as a tourism destination, it can be suggested that not all towns and municipalities in the Karlovac County need these strategic acts, but that there is a need for planned and coordinated management of the County’s stakeholders’ activities of those towns and municipalities that do have strategic acts referring to the planned tourism development. A suggestion is also to align the goals in the Masterplan with the objectives of the existing strategic acts. After alignment, the next step for destination management is forming a ‘tourism’ strategy map for the Karlovac County (Vila et al., 2010, p. 238) where the objectives are to be interlinked pointing out to the operationalization of the vision of the Karlovac County to create a ‘thriving entrepreneurship environment and economy, quality human resources, sustainable development and quality life’ (Županijska razvojna strategija Karlovačke županije 2011–2013, 2011, p. 14).

The very nature of the SBSC model requires specific objectives that are to be achieved, activities to be performed for achieving these objectives and indicators that will measure the achievement level of these objectives which will result in their further adjustment in the
terms of setting SMART objectives within the framework of sustainable development and sustainability management of tourism destinations (e.g. objective 2, activity 2).

5. Conclusions

Destination management in Croatia is still underdeveloped (Gržinić and Safti, 2012, p. 63). In order to retain and in some segments to achieve competitive edge in the tourism market, tourism management in Croatia must be approached from the position of a meta-organization of a destination management, regardless of its legal form. Destination management is a precondition for removing obstacles for destination’s competitiveness by coordinating destination’s stakeholders’ activities, thus managing brand, spatial planning and sustainability of a tourism destination (Gržinić and Safti, 2012, p. 59). In managing destination, destination management ought to utilize strategic management tools when planning and strategic management accounting tools when analyzing achieved results. An SBSC model is suggested as a tool that encompasses both, planning and reporting/controlling stages of business cycle, which has also been a recommended approach in destination management by the EC. The aim of the destination (S)BSC model is to provide a better monitoring, assessment and reporting on the achieved objectives compared to the objectives planned.

The suggested 3 indicators for each of the perspectives with the highest mean scores make a total of 18 indicators for the SBSC model as a whole. It is up to the destination management to decide on the number and kind of the indicators to be included in each of the perspectives. Although a total number of sustainability indicators is dependant upon the destination’s stakeholders (community, tourism destination, individual organizations), there should not be more than a total of 20 indicators in the (S)BSC model. Measuring the achievement level of the objectives through the accomplished results can have a positive impact on the motivation of the individual business entities present in the destination by guiding them towards the common goal, i.e. sustainable management of a destination (Franzoni, 2015, p. 26).

The destination’s potential for development of forms of tourism specific to the destination in focus ought to be included into the strategic planning of the tourism destination.

Although not fully developed, the Istria County has been recognized as the only county in Croatia that approaches the destination management from the aspect of destination management as a meta-organization (Gržinić and Safti, 2012, p. 66). This indicates a need for further researches in defining a tourism destination and creating destination management as a meta-organization that is to manage sustainable development of tourism of an area in short- and long-term.

References


Podejście strategiczne do zarządzania destynacjami turystycznymi

**Abstrakt:** Zarządzanie turystyką w sposób zrównoważony wymaga podejścia strategicznego oraz myślenia ramowego, szczególnie podkreślanych na poziomie destynacji turystycznych, który nawiązuje do współpracy wielu różnych interesariuszy, próbujących w ten sposób stworzyć i utrzymać przewagę konkurencyjną. Aby to osiągnąć, destynacje turystyczne wymagają zarządzania destynacjami, czyli zarządzania interesami organizacji i interesariuszy poprzez podejście strategiczne i operacyjne. Celem niniejszej pracy jest zapewnienie teoretycznego rozumienia strategicznego zarządzania destynacjami turystycznymi oraz umożliwienie wprowadzenia Zrównoważonej Karty Wyników na podstawie wstępnego badania miast i gmin w obrębie granic administracyjnych gminy Karlovac.

**Słowa kluczowe:** destynacja turystyczna, zarządzanie destynacjami turystycznymi, zrównoważony rozwój, strategia