

# Creation of Networks VS National Tourism Organization – Croatian Experience

Dragan Magaš<sup>1+</sup> and Marcel Meler<sup>2+</sup>

<sup>1</sup>Tourism and Hospitality Management in Opatija, Opatija, Croatia

<sup>2</sup>Economics in Osijek, Osijek, Croatia

**Abstract.** Having in mind the objectives and tasks of destination management in the Republic of Croatia, the question arises whether the existing system of tourist boards is capable of performing this type of tasks and to deal with necessary changes required by the current situation. Organizations dealing with destination marketing and destination management must be efficient not only in communication with consumers, but they should also communicate efficiently with all stakeholders involved in the integral product of a tourism destination. The aim of this paper is to demonstrate how normative assumptions, which are used today to regulate the work of tourist boards system, have become a limiting factor for further development of tourism destinations. The paper uses the example of the national tourism organization which is limited by legal framework since it should most definitely change its role by directing its activities toward the creation of a destination experience, i.e. move from a destination marketing phase to destination management.

**Keywords:** Competitiveness, Destination Management, Interest Groups, Learning Organization, Networks.

## 1. Introduction

The Republic of Croatia is a tourist country with more than 170 years of tradition in tourism. With some 60 million nights and 11 million arrivals, it can be classified as one of the more developed tourist countries of the Mediterranean, with about 15% share in the GDP. Recent changes on the tourist market make it necessary to question critically the positive and less positive effects of tourism development in the Republic of Croatia so far. In that context, the aim of this paper is to contribute to a better understanding of the problem, i.e. to point out the normative mistakes which nowadays limit tourism destination management.

The paper is divided into four parts. In this, introductory, part there is an overview of opinions of authors dealing with competitiveness and cooperation as the basic starting points for creation of networks and strengthening of cooperation in destination product development. The second part lists the theoretical presuppositions for destination management, with an emphasis on the need to create tourism networks, “learning organizations” and interest groups. The third part of the paper provides an analysis of the functioning of the national tourism organization and normative limitations in tourism destination management. The closing part apostrophizes the fact that today's integral destination product is in fact a product comprised of economic, socio-cultural and ecological elements. Therefore, the networking of interests at the national tourism organization level, by eliminating socio-cultural and ecological elements, is limiting for the national tourism organization in its attempt to become an integrated representative of Croatian tourism product.

## 2. Theoretical Presuppositions for Tourism Destination Management

Understanding the factors that influence the ability of a tourism destination to compete efficiently on the market in a manner sustainable in the long run is becoming increasingly important, both from a theoretical and practical standpoint. (Ritchie et. al., 2000).

Some view competitiveness as a macro-economic phenomenon influenced by variables such as, for instance, exchange rates, interest rates and government budget deficit. However, testifying to the contrary are

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<sup>1+</sup> Corresponding author. Tel.: + 38551294713; fax: + 38551292945.  
*E-mail address:* dragom@fthm.hr.

<sup>2+</sup> Corresponding author. Tel.: + 38531224400; fax: + 38531211604.  
*E-mail address:* marcel.meler2@os.t-com.hr.

the experiences of fast developing countries with a high standard of living despite the budgetary deficit (Japan, Italy, Korea), currency value (Germany, Switzerland), and high interest rates (Italy, Korea) (Vodeb, 2005).

Nowadays competitiveness and cooperation are the subjects of numerous debates. Due to increasingly complex conditions under which tourism destinations function today, their outward focus needs to be directed toward the market, and in their internal relationships they need to be focused on processes and teamwork i.e. oriented toward cooperation (Magaš, 2003).

The development and implementation of network organizations have been influenced by the complexity of the environment, i.e. the increasingly complex business conditions and ever faster changes of the terms of doing business. Since these changes are spreading increasingly fast, some experts rightly refer to them as the “modern organization of the 21<sup>st</sup> century” (Achrol and Kotler, 1999).

In terms of opinions of tourism service suppliers regarding value, motivation, knowing the destination, guest-host relationship, experience, quality, hedonism, individualization, virtual reality and other, while keeping in mind sustainable development and its principles, the need arises to reach a consensus between consumers, suppliers and members of the local community regarding tourism destination development.

The ability of the public to block proposals in tourism must not be underestimated. Dotson et al. (1989) provide a list of the following factors which contribute to increased care and activity in contemporary planning issues:

- More active interest groups
- Greater legal control of public action
- Ever greater lack of government resources
- Greater public awareness of the effects of planning
- More complex planning problems

Governments are showing more consideration of the mentioned factors in the decision-making process related to advancement of tourism development in their countries.

Theoretical presuppositions for tourism destination management are mostly considered to be the forming of interest groups, the “learning organization” theory and the creation of networks.

The concept of interest group was first defined by the Stanford Research Institute in 1963 as any group which an organization depends on in order to sustain a continuous existence. Byrd (2007) claims that in 1995 Donaldson and Preston ascertained that a group or an individual could constitute an interest group if they have a legitimate interest in an organization. They developed three aspects of the interest groups theory: descriptive/empirical, instrumental and normative. The descriptive aspect is used to describe the characteristics and behavior of an organization or its development. The instrumental aspect identifies connections, lack of connections between interest groups management and the achievement of organizational and developmental objectives. The normative aspect is based on the fact that identification of interest groups begins with their own interests to be involved in an organization, and not the interests of an organization toward interest groups. Cooperation between interests groups in a tourism destination can take place via different formal and informal forms, e.g. public debates, advisory bodies, focus groups, panel discussions, workgroups and alike, whereupon every form represents different levels of cooperation. Byrd (2007) points out that, in order to include interest groups into the development process, it is important to be fair, efficient and to have the proper knowledge, wisdom and persistency. On the other hand, Jamal and Getz (1995) emphasize that strategic planning in tourism destinations is complex due to the interdependency of a great number of interest groups and fragmented control over destination resources. Cooperation is a learning process which enables shared responsibility of all interest groups in tourism development.

The “learning organization” theory is one of modern management theories that have lately been implemented in tourism destinations as well. The reason is the fact that nowadays there is more and more talk of a “society of knowledge” as the only type that can meet the demands of globalization (Živoder, 2010).

Senge (1990) defined the “learning organization” as an organization in which people continuously broaden their capacities in order to realize their desired results, where new and expansive method of thinking

is encouraged, where collective aspirations are expressed and where people continuously learn about learning together.

The application of the “learning organization” concept to a tourism destination provides numerous advantages. According to Shianetz et al. (2007) the most important advantages lie in the fact that there is better understanding among the interest groups about:

- How a tourism destination functions?
- How the market position can be strengthened?
- How it can be adapted to changes in the environment?
- How to promote collective awareness of any economic or social risks, environmental risks and effects they may have?
- How risks can be minimized and/or prevented?

The same authors further point out that, when dealing with a tourism destination, it is necessary to define the feasible “body of knowledge”, i.e. the area where learning occurs and where knowledge can be applied.

In order to implement the “learning organization” theory, it is especially important for a destination to embrace differences in culture and dialogue (Senge, 1990).

Bramwell and Sharman (1999) identified three crucial problems regarding interest group participation in the decision-making process: having all relevant interest groups represented, the intensity of action and the extent to which consensus is reached among the interest groups. Very frequently the inequality of power among interest groups is emphasized as the factor that determines the level of cooperation and the groups’ influence in the decision-making process. The aim of the “learning organization” is to reduce such inequality in power and to support strategic planning through strengthening of understanding among interest groups.

Creating of networks in tourism is of particular significance these days. A tourism destination is, in reality, an exceptionally complex system. Creating a network of service suppliers represents an important and efficient option in terms of mobilizing information and resources and strengthening of the cooperation process between suppliers. Networks are active inside and around formal tourism organizations and between the private sector, different government agencies and the civil society in order to provide an important forum for development and communication of strategic interests (Dredge, 2006). The same author claims that in books on tourism the network theory is viewed from two perspectives. Firstly, there is its role in the creation of a framework for product development, product “packaging” and similar. Secondly, its role in the management of public-private relationships and understanding of the management structure in tourism is also analyzed. Public-private activities are extremely important for tourism destinations today. On one hand, the public sector needs to support the interests of the private sector, whereas the private sector, on the other hand, needs to have access to the politics and the decision-making process. When it comes to tourism destinations, Dredge (2006) lists four main advantages of networks:

- Network theory recognizes the overlapping and simultaneousness of tourism activities with different communities at different times
- Network theory recognizes that the difference between activities in the public and private sector is “blurred” and that network access is well suited for the reality of tourism as a multidimensional field of political interests of the public-private sector
- Network theory recognizes that there can be different levels of political support for different issues of tourist policy, which is why some issues are given less, and others more attention
- Network theory recognizes that interest groups can be members of more than one network and that, consequently, the power, role, mutual relationships and functions of interest groups may vary.
- In any case, the primary advantage of networks is exhibited in the possibilities of communication and the exchange of knowledge and information as well as development of new ideas.

### **3. National Tourism Organization of the Republic of Croatia and Networking of Stakeholders**

The functioning of the national tourist board of Croatia is regulated by the Act on Tourist Boards of the Republic of Croatia and the Promotion of Croatian Tourism. Tourist boards are established for the purpose of

promoting and improving tourism in the Republic of Croatia and economic interests of legal and natural persons providing catering and other tourism services, or performing other activity directly linked with tourism, through destination management at the level for which they were established.

The system of tourist boards is comprised of local tourist boards, municipal tourist boards, town tourist boards, regional tourist boards, county tourist boards, Tourist Board of the City of Zagreb and the Croatian National Tourist Board. The common goals of the tourist boards are:

- Promoting and initiating of development and improvement of the existing tourism product, initiating the development of new tourism products for the areas they for which they were established, through destination management at the level for which they were established
- Promoting the tourism product of the area for which they were established
- Raising the awareness of the importance of economic, social and other effects of tourism and of the necessity and importance of preservation and improvement of all elements of the tourism product of a certain area, in particular environmental protection and protection of natural and cultural heritage in accordance with sustainable development.

The Croatian Tourist Board is a national tourism organization. Bodies of the national tourism organization are the Assembly of the Croatian Tourist Board, the Council of the Croatian Tourist Board and the Auditing Committee. The Assembly of the Croatian Tourist Board is comprised of the President of the Croatian Tourist Board (current Minister of Tourism) and representatives of county tourist boards and the Tourist Board of the City of Zagreb. Every county tourist board (region) has two representatives in the Assembly of the Croatian Tourist Board, plus an additional representative for every 5% of share in the income. The Tourist Council of the Croatian Tourist Board has thirteen members, and it comprises the President (Minister of Tourism) and twelve members, ten of which are elected by the Assembly of the Croatian Tourist Board among the members of the Croatian Tourist Board. The Croatian Chamber of Commerce and the Croatian Chamber of Trades and Crafts are also represented with one member each. The thing in common for all members of the mentioned bodies is the fact that they must be members, i.e. pay a membership fee and sojourn tax. If they do not pay the membership fee and the sojourn tax they cannot be members even though they are a part of the integral destination product.

### **3.1. Creation of Networks in the Tourism of the Republic of Croatia**

When talking about the national level, one can say that the Republic of Croatia has different horizontal-type networks such as the Association of Employers in Croatian Hospitality, Association of Croatian Travel Agencies, Croatian Camping Union, National Association of Small and Family Hotels, Croatian Youth Hostel Association, Catering and Tourism Guild and similar. The same could be said of different types of other networks which represent the so-called socio-cultural values or the civil society. One can say that in the Republic of Croatia the prevalent opinion is that creation of networks offers numerous advantages in contemporary movements in tourism. Mutual interaction leads to bigger knowledge because the inclusion of more people and organizations creates a knowledge spiral.

### **3.2. Normative Limitations in Tourism Destination Management**

According to the previously mentioned goals by means of which the legislator instructed the tourist board on how to manage the destination, it was expected that the legislator would keep in mind the fact that the destination product is in fact an integral product and that an organizational structure (Council, Assembly) should be formed which would serve as an integrated representative of such a product. However, current representatives of the mentioned networks in bodies of the national tourism organization do not represent the integrated product. Due to a lack of network representatives which would represent the socio-cultural and ecological aspect of the destination product, we can justifiably question the legitimacy of the current national tourism organization when it comes to destination management. Namely, the managerial functions are becoming increasingly complex and mutually interdependent. The systematic approach is advocated as the method of management of different sub-systems regardless of whether they are profit, non-profit, smaller or more complex systems. Therefore, destination management, in the performance of its public-coordination functions, creates the prerequisites for a systematic linking of all those who are relevant for the development of the tourism product.

### 3.3. Managerial Implications

The previously described normative approach actually implied a functional inability of destination management. The national tourism organization remains a government-owned promotional agency. Today it is not ready to make specific planning documents which would clearly identify the vision, mission, objectives, strategies and policy. Destination management also brings moral responsibility to acknowledge the imbalance of power, develop fair and practical methods and work with groups of suppliers more fairly.

## 4. Conclusion

In the world of global movements on the tourist market the number of tourism destinations is increasing practically on a daily basis and so is the competition between them. The occurring changes influence the fact that, in order to sustain a tourism destination's position in the market, it is simply not enough to engage in promotional or marketing activities only. The system of tourist boards in Croatia is predominantly involved in marketing, i.e. mostly promotional activities. However, nowadays the need has been recognized to implement other activities as well, apart from marketing. Namely, in order to successfully solve the problem of tourism development, Croatian destinations will have to initiate cooperation and partnership – between the public and private sector, and public and public sector. Market-destinations contact is becoming one of the tasks of destination management. That task should be complemented by tasks related to stronger integration of stakeholders in the making of development projects, by keeping in mind that the destination product is an integral product and by acknowledging the fact that the current national tourism organization of the Republic of Croatia is not an integrated representative of the Croatian tourism product.

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