

# **DESTINATION MANAGEMENT ORGANIZATIONS AND THEIR IMPACT ON TOURISM DEVELOPMENT IN THE CZECH REPUBLIC**

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## **Abstract**

Tourism is an important and constantly developing part of the world economy. It has also a significant multiplier effect as it influences an array of other branches. It is based on cooperation of frequently heterogeneous subjects, which complicates its management, however. The paper deals with modern approaches of destination management with the aim to examine the state and possibilities of their more extensive application in the Czech Republic. The paper brings a deeper analysis of destination management functioning in the Czech Republic, especially functioning of particular destination management organizations. A survey via questionnaire among existing destination management organizations in the Czech Republic is used as the method for getting relevant data. The results are completed by additional data acquired via analysis of information reported in public registers and on websites of examined organizations. The paper includes recommendations that will serve as a basis for further development of destination management in the Czech Republic, mainly for creation of working tourism management system.

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

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## **Introduction**

Tourism and management of tourism have been the subjects of expert discussions for already long time. These days the importance of this industry sector for worldwide economy is known and widely accepted and relevant statistical data indicate its further growth. The spontaneous development of tourism as seen in the post WW2 period have started to be influenced by various management approaches. The objective of these management approaches is to increase attractiveness of individual destinations and in connection with that also increase the number of visitors to these destinations and to enjoy, at the same time, the positive synergy effects

brought about by tourism for these relevant destinations. These approaches are known as destination management.

In the course of time destination management has seen various development stages. These development stages are described in specialized literature. According to Bratl and Schmidt (1998) three stages of destination management can be observed. These stages are characterized as a development stage, a growth stage, and a concentration stage. However we can talk about destination management in its real meaning only in the concentration stage. Regarding destination management approaches three basic approaches are known: „top down“, „bottom up“ and „combined“. These approaches are labelled according to the manner in which the creation of the destination organization was initiated (Plzáková and Studnička, 2014). Destination management development continues. New approaches to management of tourist destinations are born such as, for instance, destination governance or destination leadership (Beritelli and Bieger, 2014), but also there exist destination management approaches based on knowledge management, social dialogue and similar basis (Varra, Buzzigoli and Loro, 2012).

Individual tourist destinations however do not develop in the same pace and the same can be said about their management. In developed tourist destinations management of the destination is a complex advanced system, other destinations deal with early stage issues. The roles of the individual destination management organizations are closely linked to the stage of destinations development. These organizations have various shapes and various scopes of responsibilities and that goes hand in hand with various impacts of these organizations on the concrete destination development.

This paper focuses specifically on the role of destination management organizations under a destination management system, and in particular it focuses on the situation in this area in the Czech Republic. This paper summarizes new theoretical findings and it presents results of research done among destination management organizations in the Czech Republic. The objective of this research was to acquire more detailed information about destination management organizations operations. This information supplements a previous research that was based on secondary data analysis.

## **1 Destination management organizations: recent theories**

Destination management organizations are, as already mentioned, the basic elements of tourism management. According to Plzáková and Studnička (2014) these organizations represent one of the possible concepts of tourism management in destinations. Other possible concepts are

tourism bodies, clusters, networks and/or „learning region“ concepts. While the tourism body is only a certain tourism element, e.g. tourist information centre, in case of the other concepts we talk about more or less interlinked subjects with the objective of innovation development, synergy effects realization or knowledge sharing (PlzÁková and Studnička, 2014).

Volgger and Pechlaner (2014) state that destination management organizations are expected to act as network managers and that such organizations play rather the role of initiators and/or agents. The authors add that such organizations can achieve a flexible system of management based on joint collaboration with focus on responsibility, organization and self-regulation of the destination network. Sheehan, Vargas-Sánchez, Presenza and Abbate (2016) stress that a successful future-proof destination management organization must act as an intelligent destination agent that is able to find and to involve various subjects not only within the destination itself but also external actors and to make use of their knowledge. They believe it is essential that any destination management organization is able to gather and to analyse data and information from various sources and to utilize this acquired knowledge to fulfil its own mission. Beritelli, Buffa and Martini (2015) research into the collaboration role of destination management. They focus on prominent influencer type personalities within the destination such as are (commercial) directors, boards members and similar persons regardless if these persons are directly linked to the destination management organization or they influence it from outside.

Also other authors deal with the issue of destination management organizations' success. Bornhorst, Ritchie and Sheehan (2010), for instance, research into the relation between the destination management organization's success and the success of the destination itself. From their research it issues that besides the common success factors, such as community relations, marketing and economic indicators, it is possible to identify also the following major differences. While for the destination management organizations' success the following factors are typical: supplier relations, effective management, strategic planning, organization focus, suitable financing or high quality employees, the success of destinations is linked to destination location and destination accessibility, to attractive products and offered services, to visitors' quality experiences or to local community support.

It becomes clear that also the destination size can play an important role, the proper definition of the size respectively. Bieger, Beritelli and Laesser (2009) think that the existing competition between destinations, that is competition requiring budgets, product focus and to a large extent also centralized management, shall lead to re-evaluation and consequently to re-definition of current destinations borders.

Another key issue is the issue of destination management organizations' financing. Beritelli and Laesser (2014) deal with the question to what level is the acquisition of various financial resources influenced by the board members of the individual organizations. They point out that in the period of growing competition between tourist destinations, of declining tourism financing from public resources and the period of pressure to joint forces and to collaborate among destination management organizations, the access to stable additional financing is a key issue. They stress out that it is essential to attract as board members such personalities who can directly influence organization's revenues and financial structure.

In relation with the destination management issues there becomes to appear the notion of tourism destination observatory. Varra, Buzzigoli and Loro (2012) understand tourism destination observatories as one of the tools required to provide for sustainable competitiveness – and that provided by means of innovations, knowledge management and servant leadership.

In any case as stated by Beritelli and Laesser (2014) destination management organizations must operate as a subject with specific tasks, with clear strategy and management. It is not sufficient to operate just as a platform on which interested parties meet and discuss the future development of the destination.

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

The formation of first destination management organizations in the Czech Republic falls into the period after year 1989. However those organizations were formed in an uncoordinated manner, they formation was directly related to newly created tourist destinations. The current situation is that in some regions destination management organizations have already a long tradition, in some regions they have been in operation for a short period of time and in some regions such organizations are just being formatted. There are also differences in the manner how these organizations operate and how they manage to contribute to tourism development in their respective destinations. In some case it even happens that these organizations' operations or even the covered territories overlap.

With regard to the fact that the overall situation is quite confusing it is being considered that some rules should be defined. This shall be done by means of categorization and certification of destination management organizations. The Ministry for Regional Development is currently drafting this project in collaboration with the Czech Tourism agency. This project works with categorization into four categories-levels. These levels are the national level, the regional level, the area level and the local level. Everything should be based on a voluntary

basis with the provision that organizations with certifications should have easier access to national funding.

A questionnaire-based survey was executed in order to obtain information about the functioning of destination management organizations in the Czech Republic and also to gather information about the destination management quality. The survey addressed those Czech Republic destination management organizations that are listed in the official register of the Czech Tourism agency. 61 % of them returned the survey questionnaire. The results of this survey are presented in Table 1 and Table 2. The results are presented according to the individual self-administration regions.

**Tab. 1: Utilization of some elements of destination management in the Czech Republic**

| Region             | SSF       | ZCR | Selected elements of destination management |          |          |          |           |          |
|--------------------|-----------|-----|---|----------|----------|----------|-----------|----------|
|                    |           |     | KP  | L        | IS       | SD       | SCK       | SV       |
| Hlavní město Praha | Not fully | 1xA | 1xN   | 1xN      | 1xN      | 1xA      | 1xPN      | 1xA      |
| Středočeský        | 1xA, 1xN  | 2xA | 2xA   | 2xA      | 2xA      | 2xA      | 1xA, 1xPN | 2xA      |
| Jihočeský          | 1xA, 1xN  | 2xA | 2xA   | 1xA, 1xN | 2xN      | 2xA      | 2xPN      | 2xA      |
| Karlovarský*       | 0         | 0   | 0   | 0        | 0        | 0        | 0         | 0        |
| Ústecký            | 2xN       | 2xA | 2xA   | 1xA, 1xN | 1xA, 1xN | 1xA, 1xN | 2xPN      | 2xA      |
| Liberecký          | 1xN       | 1xA | 1xA   | 1xN      | 1xA      | 1xA      | 1xPN      | 1xA      |
| Královéhradecký    | 5xN       | 5xA | 3xA, 2xN                                    | 5xA      | 2xA, 3xN | 3xA, 2xN | 1xA, 4xPN | 5xA      |
| Pardubický         | 1xA       | 1xA | 1xA   | 1xN      | 1xN      | 1xN      | 1xPN      | 1xN      |
| Kraj Vysočina*     | 0         | 0   | 0   | 0        | 0        | 0        | 0         | 0        |
| Moravskoslezský    | 1xA, 3xN  | 4xA | 4xA, 1xN                                    | 4xA, 1xN | 4xA, 1xN | 5xA      | 2xA, 3xPN | 4xA      |
| Olomoucký          | 2xN       | 2xA | 1xA, 1xN                                    | 1xA, 1xN | 1xA, 1xN | 2xA      | 2xPN      | 2xA      |
| Jihomoravský       | 1xN       | 1xA | 1xN   | 1xN      | 1xA      | 1xA      | 1xPN      | 1xA      |
| Zlínský            | 1xA, 1xN  | 2xA | 2xA   | 1xA, 1xN | 2xN      | 2xA      | 2xPN      | 1xA, 1xN |
| Plzeňský           | 1xN       | 1xA | 1xA   | 1xA      | 1xN      | 1xA      | 1xPN      | 1xA      |

\*did not take part in the survey

A –yes, N – no, PN – only some, SSF – the existing system of financing, ZCR – tourism act, KP – competitive products/packages including more services for tourists, L – shared logo with all collaborating subjects, IS – joint (shared) information reservation system, SD – collection of data and research into the data, SCK – collaboration subjects certified in the Czech service quality system, SV – destination management organization initiates public-private partnership

Source: authors

According to Zelenka and Pásková (2012) the characteristic elements of destination management are, for instance, a shared logo between the destination management organization and its collaborating members, collection of statistical data from the tourism sector, collection

and research into statistical data, a joint reservation system, tourism competitive products, initiation of public-private partnerships in tourism and similar elements. The survey, besides other elements, thus focused on these elements. Table 1 summarizes the results of this part of the survey. This part of the survey included also investigation of opinions about the existing system of tourism financing, the need of a specific tourism act and similar issues.

It issued from the survey that the existing system of financing does not meet the requirements of the destination management organizations and that it is required to set clear rules. 78 % of respondents stated that they are not satisfied with the existing system of financing.

The tourism act issue is directly related to this. The tourism act has not yet been passed and its reading has been postponed. However, all respondents of the survey agreed unambiguously to the question whether they want the tourism act. 100 % of the respondents responded that they would welcome an effective tourism act.

Regarding destination management elements the survey showed that 76 % of respondents create packages that include more services, this is a significant share. Regarding the issue of common logo usage it issued from the survey that 64 % of respondents use common logo jointly with collaborating organizations. 48 % of respondents have joint reservation system. Collection of statistical data is a very important tool and feedback for destination management organizations. This has been also proven by the survey's results. 84 % of respondents execute data collection. 84 % of respondents responded to the question if their collaborating subjects are certified in the Czech services quality system that only some are certified. The rest of respondents responded that their collaborating subjects are certified. Recently this is becoming more and more important. The quality of services provided in the destination is a significant indicator intensively recognized by tourists. It can influence tourists' decisions to return to the destination or to provide reference about the destination. Regarding public-private partnership 88 % of respondents responded that they initiate this partnership. Thus it can be stated that destination management elements are largely applied and that organizations work on destination management principles.

Another part of the survey concerned utilized management approaches and concepts, but also destination management stages. Table 2 shows destination management organizations in the Czech Republic with respect to their destination management approaches, concepts they use and stages of destination management that their activities correspond to.

**Tab. 2: Destination management approaches, stages and concepts in the Czech Republic**

| Region             | Approaches |      |     | Stages |     |     | Concepts |     |   |     |     |
|--------------------|------------|------|-----|--------|-----|-----|----------|-----|---|-----|-----|
|                    | T-d        | B-up | Com | B      | R   | K   | TB       | ODM | K | S   | UR  |
| Hlavní město Praha | 1xA        |      |     |        |     | 1xA |          | 1xA |   |     |     |
| Středočeský        |            | 2xA  |     | 1xA    | 1xA |     |          | 1xA |   | 1xA |     |
| Jihočeský          | 1xA        | 1xA  |     |        |     | 2xA |          | 1xA |   |     | 1xA |
| Karlovarský*       |            |      |     |        |     |     |          |     |   |     |     |
| Ústecký            | 2xA        |      |     |        | 1xA |     |          | 1xA |   | 1xA |     |
| Liberecký          |            |      | 1xA |        |     | 1xA |          | 1xA |   |     |     |
| Královéhradecký    | 3xA        |      | 2xA | 1xA    | 2xA | 3xA |          | 4xA |   |     |     |
| Pardubický         | **         | **   | **  |        |     | 1xA |          | 1xA |   |     |     |
| Kraj Vysočina*     |            |      |     |        |     |     |          |     |   |     |     |
| Moravskoslezský    | 4xA        |      |     |        | 1xA | 3xA | 1xA      |     |   | 2xA |     |
| Olomoucký          | 1xA        |      | 1xA |        |     | 2xA |          | 2xA |   |     |     |
| Jihomoravský       | 1xA        |      |     |        |     | 1xA | 1xA      |     |   |     |     |
| Zlínský            | 1xA        |      | 1xA |        |     | 2xA |          | 1xA |   | 1xA |     |
| Plzeňský           |            |      | 1xA | **     | **  | **  |          | 1xA |   |     |     |

\*did not participate in the survey, \*\*did not respond to this question

A – yes, T-d – „top-down“, B-up – „bottom-up“, Com – „combined“ approach, B – development stage, R – growth stage, K – concentration stage, TB – tourism body, ODM – destination management organization, K – cluster, S – network, UR – „learning region“ concept

Source: authors

Regarding tourism management approaches in the Czech Republic it issued from the survey that in 56 % of cases there is used the so called „top-down“ approach where the impulse to create a destination management organization comes from public administration and financial aid comes largely from public resources. This is related to the fact, actually proven by the survey, that all destination management organizations participating in the survey get financial contributions for their operations from their relevant regional offices. Other sources of financing are gifts, grants, own operations, membership fees from collaborating participants and similar. However these are not as high as subsidies. It issued from the survey that the so-called „combined“ management approach took the second place with 24 %. The main feature of this approach is that it fulfils the public-private partnership approach. This approach brings about more complex management and communication. The so-called „bottom-up“ management approach took the third place with 12 %. Here the impulse to create (the organization) comes from business sector or from not-for-profit (NGOs) sector. This approach is known for rapid development of the destination and fast returns on executed activities. However there is no support from public administrations and thus problems arise. Two participating destination management organizations did not respond to this question, which is 8 %.

It issued from the survey that 64 % of destination management organizations in the Czech Republic participating in the survey correspond to the concentration stage of destination management development. That means that they strive to work based on the destination management principles. There is close and intensive collaboration of participating subjects and developed and goal-directed strategic management of their activities. 20 % of those destination management organizations fall under the growth stage that is characterized by strategic partnerships and by involving tourism subjects into their activities. Finally, 4 % of those organizations are in the development stage. Their activities focus only on promotion, single purpose collaborations and so on. It issues from the results that vast majority of destination management organizations in the Czech Republic strives to work on the destination management principles. However we must be aware of the fact that the concentration stage abroad took place already in the 90th of the 20th century. The reason why the Czech Republic lacks behind foreign countries is the long period of unfavourable political situation that was not favourable for intensive development of tourism. 12 % did not respond to this question.

Management concepts exist abroad that are utilized by destination management organizations in their management. The objective of the survey was also to identify the situation in the Czech Republic. The survey showed that 56 % of respondents use the concept of „destination management organization“ in their operations. This means that there is joint strategy inside the organization, funds are matched and innovations are developed, however activities of the individual partners are not controlled. 20 % of respondents stated that they work based on management concept called the „network“ (it means mutually interconnected subjects, low level of institutionalization, main characteristic is flexibility, involved subjects are mutually competing). 8 % of respondents operate based on the „tourism body“ concept (the tourist unit is located in relevant regional or municipal office). 4 % use the „learning region“ concept (a characteristic feature here is acquisition and sharing of knowledge). The survey did not identify any use of the „cluster“ concept. Three participating destination management organizations did not respond to this question, which is 12 %.

## **Conclusion**

The executed survey outlined what is the current situation in destination management in the Czech Republic. The first part of the survey proved that destination management organizations are not satisfied with the existing system of tourism financing. This is related to the requirement to adopt a new tourism act. This act is very much expected by the destination management



organizations because this act should define rules for tourism financing. The already mentioned drafted categorization and consequent certification of destination management organization should cover the period until this new act is adopted.

Tourism organizations, as issues from the survey, actively include destination management elements into their activities. The vast majority of destination management organizations create packages including more tourism services. Organizations execute research and statistical data collections. Subjects participating in tourism start to get certified under the Czech service quality system. Nearly all researched tourism organizations initiate public-private partnership that is very important for their operations. Further development of tourism cannot exist without the private sector involvement in this sector.

The second part of the research focused on destination management approaches, on destination management development stages and on used management concepts. Based on the results of the survey the Czech Republic is currently in the concentration stage of destination management development. The most often used approach to tourism management is the „top-down“ approach. Regarding management concepts it showed that the most often used concept is the „destination management organization“ concept.

The results of the research prove that the Czech Republic is moving forward in tourism and it has potential for its destination management to develop into its advanced form. This would be a significant contribution to the Czech Republic competitiveness and to its position on the tourism market.

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