



## Destination structure revisited in view of the community and corporate model



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### ABSTRACT

Destination stakeholders seek balance between competition and cooperation within the destination and the ability to find the optimal organisational structure is one of the key success factors. The aim of the article is to propose methodology focusing on examining the organisational structure and leaders in a destination based on the community and corporate model. In order to evaluate the organisational structure, sequential steps are proposed, which were demonstrated on two central European mountain destinations. Firstly the network analysis of tourism stakeholders was used and then enriched with the in-depth interviews with stakeholders. The article measures the change in organisational structure and leadership in tourism destinations focusing on the influence on a destination performance. The article gives valuable insight for further examination of destination structures and destination management. Moreover, it provides new information on the destination organisational model within the concepts of community and corporate model.

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### 1. Introduction

Destinations are nowadays a well discussed topic in tourism academic literature. They are viewed as market-oriented productive systems consisting of demand and supply characteristics (Reinhold, Laesser, & Beritelli, 2015, p. 138). As the demand side is characterised by tourists and their flows, it is also important to stress the network of resources and stakeholders that create the supply of the destination (Beritelli & Bieger, 2014; Presenza & Cipollina, 2010). Scott, Baggio & Cooper (2008, p. 172) emphasise, that a tourism destination may be considered as a cluster of interrelated stakeholders embedded in a social network. Such a network is seen to be important for managing public-private relationships and understanding structures of tourism destination governance (Palmer, 1996; Pforr, 2006; Presenza & Cipollina, 2010) and leadership (Pechlaner, Volgger, & Herntrei, 2012). Therefore destination management should not focus only on single entities, but should adopt a network perspective to include a wider selection of stakeholders and their interdependencies in a destination (Van der Zee & Vanneste, 2015, p. 48).

This paper adopts a stakeholder view on tourism destination and provides a network approach to organisational structures and leadership in destinations. A stakeholder can be defined as “any group or

individual who can affect or is affected by the achievement of the organisation objectives” (Freeman, 1984, p. 46). When applying stakeholder’s theory on examining a destination, several types of stakeholders can be found (Beritelli & Bieger, 2014; Bieger & Beritelli, 2012; Jamal & Getz, 1995; Reinhold et al., 2015; Sheehan & Ritchie, 2005; UNWTO, 2010). They can be classified into several groups (Flagestad & Hope, 2001, p. 456) e.g. as community based stakeholders, service providers, employees, market based stakeholders, owner based stakeholders, financial stakeholders and others. However, due to the constant change in tourism supply and demand and specificities of each type of destination, it is not possible to list all stakeholders.

Destination stakeholders interact with each other and thus create a destination network. In order to compete in the international tourism market, the collaboration in terms of management and marketing activities between stakeholders is crucial. This behaviour, which can be seen as a dynamic process-oriented strategy, usually needs leaders who distribute the power and increase the competitiveness of a destination (Zehrer, Raich, Siller, & Tschiederer, 2014, p. 59). Therefore the leaders who have the power to manage the destination and influence the destination development should be identified.

The majority of traditional European tourism destinations are represented by several independent stakeholders, due to the long development of tourism in these destinations. Cooperative behaviour started half a century ago and in many destinations the creation of destination management organisation (DMO) was an inevitable outcome. These institutions fulfilled the role of key drivers of destination development and have promoted sustainability principles. However, the substantial

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investments and innovations in some destinations could cause that one stakeholder gain an influential position comparing to others and thus the organisational structures starts to change in destinations.

Considering all of the above, this paper follows-up on the research of Flagestad and Hope (2001), who call for measuring the change in destinations. Several studies have dealt with the change in tourism destinations (e.g. Beritelli & Reinhold, 2009; Bieger, 1998; Bieger, Beritelli, & Laesser, 2009; Bieger & Laesser, 1998; Boksberger, Anderegg, & Schuckert, 2011; Pechlaner & Osti, 2002), however the change in organisational structure of destination has never been measured so far. The article respond to this call by answering the research question: “How to measure the change in organisational structure and leadership in a tourism destination and what effects does it have to destination's performance?” The authors consider the network approach to destination research as a useful tool to demonstrate the structural change and a possibility to gain new empirical knowledge of destination organisational concepts.

## 2. Literature review

As the competition in the tourism market is getting tougher and climatic changes influence the seasonality of destinations, the competition among destinations is leading increasingly to the ongoing structural changes. These changes can be seen mainly in mountain destinations, as the shortening of seasons, as well as the stagnation of the number of skiers leads to the need of strategically oriented decisions. In Europe, historical, political and agricultural traditions (Bieger, 2005; Kariel, 1997) have laid a foundation for community involvement in the evolution and management of mountain destinations. Even the purpose-built mountain destinations in Europe probably have a relatively fragmented management structure.

However, the major ski companies are trying to become the leaders in the stakeholders' network. Due to the use of public finance to support tourism development in destinations (Müller & Berger, 2012) and the need of customer focused and process oriented destination structures (Beritelli, Bieger, & Laesser, 2013), the research of leadership and organisational structures is inevitable. This was the stimulus of the authors of the paper to extend the previous research of one of the authors on community and corporate model (Flagestad & Hope, 2001) and propose a model of identifying and evaluating the organisational structure of a destination.

### 2.1. Leadership in a destination network

There has been a significant change in tourism research from the focus on individual actors to destination management and marketing, governance and leadership. While destination management and marketing is focused more on internal processes in destinations (such as strategy, competitiveness, resources and visitor management) (Bornhorst, Ritchie, & Sheehan, 2010; Heath & Wall, 1992; Inskip, 1991; Jamal & Getz, 1995; Pike, 2008; Pike & Page, 2014), destination governance explains structures and processes in destinations (Beritelli, Bieger, & Laesser, 2007; Laws, Richins, Agrusa, & Scott, 2011; Pechlaner, Herntrei, Pichler, & Volgger, 2012). The role and influence of individual stakeholders is emphasised in the concept of destination leadership (Beritelli & Bieger, 2014; Beritelli & Laesser, 2011; Hristov & Zehrer, 2015; Pechlaner, Kozak, & Volgger, 2014). Destination leadership is in many ways different from the corporate leadership (Pechlaner, Volgger, & Herntrei, 2012; Valente, Dredge, & Lohmann, 2015). Destination management organisations lack clear organisational boundaries and structures, there is no clear command and control position in destination management. Leadership in a destination is focused more on meeting the needs and interests of different stakeholders rather than leading a corporation with one mostly profit-oriented objective (Benson & Blackman, 2011; Haugland, Ness, Grønseth, & Aarstad, 2011;

Valente et al., 2015). Destination leadership is about merging all relevant stakeholders through a consensus-driven approach.

The combination of network perspective and destination leadership (Baggio, Scott, & Cooper, 2010a; Beritelli & Bieger, 2014; Hoppe & Reinelt, 2010; Hristov & Zehrer, 2015; Kozak, Volgger, & Pechlaner, 2014; Pechlaner et al., 2014; Presenza & Cipollina, 2010) is a new challenge of examining structures in tourism destinations. Moreover, network typologies and structures are used to give an insight to the organisation structure of destinations (Van der Zee & Vanneste, 2015, p. 52).

Network leadership among destination stakeholders implies the particular challenges of leading, organising and communicating with the individual stakeholders and with the destination network as a whole (Beritelli, 2011; d'Angella & Go, 2009; Kozak et al., 2014). Leadership networks in tourism destinations connect leaders who share common interests and who have a commitment to influence a field of practice or policy. Such networks make it easier for leaders to find common ground around the issues they care about, mobilize support, influence policy and the allocation of resources (Hoppe & Reinelt, 2010, p. 601).

Leadership can be identified as a key factor of tourism destination development and one of the main features associated with effective tourism leaders was the access to extensive local networks (Moscardo, 2005). Destination leaders are the tourism stakeholders that are powerful enough to lead tourism development (Tuohino & Konu, 2014). These leaders provide strategic direction to destinations, however, they need resources and power (Pechlaner, Herntrei, Pichler, & Volgger, 2012). Slocum and Everett (2014) and Peters, Siller, and Matzler (2011) identified the need of having resources to become a leader in a destination, while Blichfeldt, Hird, and Kvistgaard (2014) highlights power theory to the study of destinations and leadership and suggest how the lenses provided by power theory may contribute to a fuller understanding of destination leadership.

Furthermore, Lukes (2005) emphasises that some types of power may lead to observable conflicts in tourism destinations. It is mainly when a dominant stakeholder has no legitimacy to govern the destination. These conflicts impact negatively on the short-term outcomes of collaboration but they can severely impede longer-term developments through the disintegration of personal and professional relationships within the collaboration (Fyall, Garrod, & Wang, 2012, p. 9).

### 2.2. Destination organisational structures

The literature concerning destination organisational structures is based on the close similarities between the business organisation of “the firm” and the tourism destination (Bieger, 2005). It is argued that this parallelism allows the application of strategic management theories of the firm to strategic management of a destination. Strategic management emerged as a discipline in the 1960s (Grant, 1995). The theory of strategic management developed by Penrose (1959), Barney (1986), Grant (1995) and Porter (1996) builds on numerous creative concepts (the resource-based perspective, industrial organisational analysis and organisational economics) could be applicable to an organisational structure of tourism destinations. Based on their approaches a strategy process with an appropriate organisational structure should select the appropriate combination of resources in order to achieve a competitive advantage, which should create expected performance and yields.

So far two extreme theoretical models (community and corporate) of organisational structure of destinations were identified (Flagestad & Hope, 2001, p. 452). These models are widely used in the works of many authors (e. g. Baggio et al., 2010a; Beritelli et al., 2007; Clivaz & Marcelpoil, 2015; Pechlaner, Beritelli, Pichler, Peters, & Scott, 2015; Sainaghi, 2006; Strobl & Peters, 2013; Viken & Granås, 2014), however always in a descriptive and qualitative way. To the authors' knowledge, there is no research evidence how to measure these two extremes – community and corporate model and the dynamics of their change.

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