

Stakeholder approach in tourism management: implication in Croatian tourism

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Abstract

Stakeholder approach is a concept related to management primarily referring to organisations. This approach is based on an assumption that an organisation is characterised by its relationships with various groups and individuals, which may include employees, customers, suppliers, governments etc. New trends in tourism are emerging in recent years, so this approach is being applied in this sector as well expanding this concept from micro level (organisation or company) to a kind of mezzo level (tourism destination). Although there are a number of papers relating to this issue, this approach is not much applied in Croatia. The main purpose of this paper is to determine and analyse possible implementation of stakeholder approach in Croatian tourism.

Keywords: stakeholder approach, tourism destination, management, Croatia

1 Introduction

Tourists view tourism destination as one whole composed of different elements i.e. like a puzzle comprised of different pieces. Tourism is a complex phenomenon and as such it involves different parties which can be viewed as stakeholders. Each of them has its own specific interests and can be viewed as the “piece of the puzzle”. If one piece does not fit “the puzzle”, tourist’s experience is spoiled.

Stakeholder theory or approach has its beginnings in organizational management and ethics (Phillips, Freeman and Wicks, 2003). It was first proposed by Freeman (1984, in Tkaczynski, 2009) who suggested that an organization is characterised by its relationship with various groups and individuals. At this point it is important to distinct between two terms:

“stakeholder theory” and “stakeholder approach”. This difference was made clear by Sisek (2001) who suggested that it may be better to use the term “stakeholder approach” rather than “stakeholder theory”, because “stakeholder theory” would encompass a set of properly reasoned ideas which intend to explain facts or events, while “stakeholder approach” relates to the concept, ideas, opinions or principles which underlie the subject of discussion.

Stakeholders approach involves several steps. A firm must first identify its stakeholders, their interests and stakes. Then it is necessary to manage them and understand the process (Freeman, 2010; Tkaczynski, 2009). A problem arises when an organisation tries to allocate time, energy and other resources to stakeholders (Freeman, 2010; Tkaczynski, 2009) so it is suggested that stakeholders should be divided into two groups (Clarkson, 1995: 106-107): primary stakeholders i.e. those stakeholders without whose continuing participation the organisation cannot survive as a going concern and secondary stakeholders i.e. those stakeholders who influence or affect, or are influenced or affected by the organization, but are not engaged in transaction with organisation and are not essential for its survival.

Stakeholder approach is becoming more popular with the increase of environmental awareness of public because it involves different groups like consumers, competition, government, employees, media etc. Since its beginnings stakeholder concept was criticized by different scholars and practitioners (Jensen, 2001; Child and Marcoux, 1999; Sternberg, 1996; Phillips, Freeman and Wicks, 2003), but it was also appraised (Polonsky, 1995, Phillips, Freeman and Wicks, 2003).

People have always travelled for tourism reasons, but since the industrial revolution followed by social development, an expansion of tourism begins. Due to new trends on tourism market, classical tourism offer i.e. sun and sea is changing and evolving into different forms of sustainable specific kinds of tourism tailored by individual needs. This has greatly reflected on tourism supply which is advancing to tourism destination.

Tourism destination includes different places and attractions within a certain geographical area which is understood by its visitors as a unique entity (Weber and Mikačić, 1995; Buhalis, 2000). If tourism destination is to be perceived as a whole, a certain top management must be determined. This is where destination management organisation i.e. DMO comes in handy. DMO should be accountable for the planning and marketing of the region and to have the power and resources to undertake action towards achieving its strategic objectives (Buhalis, 2000: 96).

If Freemans original suggestion is considered (1984, in Tkaczynski, 2009) tourism destination can be viewed as an organisation characterised by its relationship with various groups and individuals. Tourism destination includes different actors and different companies ranging from those responsible for the construction of buildings (e.g., planners, administrative body, design, construction, ...) over the very facilities (accommodation and restaurants, shops, ...) and intermediaries (travel agencies, customs, ...) to those organizations whose main function is to help the functioning of the tourism destination (tourist boards, government bodies, institutes and departments, ...) (Geić, 2007). These actors are “pieces of a puzzle” i.e. stakeholders of tourism destination, but same kind of importance must be appointed to each stakeholder so that key stakeholders can be identified. It is important to stress that they differ from stakeholder of a firm e.g. shareholders and employees are one of the stakeholders of a firm because tourism destination is on a higher level than a single firm.

Stakeholder approach has been studied in various contexts related to destination management and marketing e.g. to explore the attitudes and perception of individual stakeholder groups, in building interorganisational linkages through marketing alliances or networks, in strengthening and formalising linkages (Tkaczynski, 2009).

The main purpose of this paper is to determine and analyse possible implementation of stakeholder approach in Croatian tourism.

2 The present concept of stakeholder approach

In transmitting stakeholder approach from the micro level i.e. level of a single firm to a kind of mezzo level i.e. level of tourism destination, a question that has to be answered to is which organization at a tourism destination can be considered as “the firm”. Providing answer to this question is not always an easy task, but in most cases Destination Management Organisation (DMO) is viewed as “the firm”. After giving answer to this question stakeholders must be identified and coordination among them achieved. Latter is not always an easy task. The question that rises at this phase is determination of key stakeholders. Many authors have considered this problem, so stakeholders in tourism are usually divided as primary and secondary stakeholders, but there is no consent related to which stakeholders should be in what group (Tkaczynski, 2009). Tkaczynski (2009) noted that different studies have emphasised different stakeholders (Table 1).

Stakeholder Type	Stakeholder	Author
Primary	City Officials (Local Government Organisations)	Blain, Levy & Ritchie (2005); Morgan & Pritchard (1999); Sautter & Leisen (1999); Sheehan, Ritchie & Hudson (2007); Sheehan & Ritchie (2005)
	Competitors	Sautter & Leisen (1999)
	Destination Marketing Organisations	Blain, Levy & Ritchie (2005); Morgan & Pritchard (1999); Sautter & Leisen (1999); Sheehan, Ritchie & Hudson (2007); Sheehan & Ritchie (2005)
	Hotels	Blain, Levy & Ritchie (2005); Sautter & Leisen (1999); Sheehan, Ritchie & Hudson (2007); Sheehan & Ritchie (2005)
	Residents	Sautter & Leisen (1999)
	Tourism Attraction Operations/Convention Centres	Blain, Levy & Ritchie (2005); Morgan & Pritchard (1999); Sautter & Leisen (1999); Sheehan, Ritchie & Hudson (2007); Sheehan & Ritchie (2005)
	Transportation companies (e.g. buses airports)	Blain, Levy & Ritchie (2005); Sautter & Leisen (1999)
	Tourists	Sautter & Leisen (1999); Sheehan & Ritchie (2005)
	Restaurants	Blain, Levy & Ritchie (2005); Sautter & Leisen (1999)
Secondary	Chamber of Commerce/Advisory Board	Morgan & Pritchard (1999); Sheehan & Ritchie (2005)
	Community Groups	Morgan & Pritchard (1999); Sautter & Leisen (1999); Sheehan & Ritchie (2005)
	Gas Stations	Sautter & Leisen (1999)
	Incentive Planners	Blain, Levy & Ritchie (2005); Morgan & Pritchard (1999); Sautter & Leisen (1999); Sheehan & Ritchie (2005)
	Media	Sautter & Leisen (1999); Sheehan & Ritchie (2005)
	Retail Outlets	Blain, Levy & Ritchie (2005); Sautter & Leisen (1999); Sheehan & Ritchie (2005)
	Universities	Blain, Levy & Ritchie (2005); Sheehan & Ritchie (2005)

Table 1: Stakeholder types

Local Government Organisations, Destination Marketing Organisations, Hotels and Tourism Attraction Operations/Convention Centres were identified as primary stakeholders within a tourism destination, while Community Groups, Incentive Planners and Retail Outlets were identified as secondary stakeholders. It should be noticed that same eminent authors have classified Competitors, Residents and Tourists as primary stakeholders, while Chamber of Commerce/Advisory Board, Media and Universities were classified as secondary stakeholders.

Interaction with different stakeholder can contribute to better understanding the need of society (Caffyn and Jobbins, 2003). Such an interaction can be obtained within a body responsible for the management of destination development. The models and organisational structures of such coordinational bodies can be distinguished, depending on the will and customs of the very stakeholders at the destination, however all those models have in common the following elements (Magaš, 2008):

- public functions
- representation of the whole sector
- coordination and running of all those activities and services
- focusing on the desires and interests of public and private offer providers successful defence of the profession.

3 Possibility of implementation of stakeholder approach in tourism

Due to extremely competitive tourism market, tourism destinations are accepting stakeholder approach as a path to overcome the competition. There are several case studies related to implementation of stakeholder approach in tourism destination management (Burns and Howard, 2003; Byrd and Gustake, 2006; D'Angella and Go, 2009; Wisansing, 2008; Byrd, 2007; Munro, King and Polonsky, 2006; Marzano and Scott, 2005; Lewis, 2004; Timothy, 1999; Caffyn and Jobbins, 2003; Tkaczynski, Rundle-Thiele and Beaumont, 2008; Li, 2006). Croatian tourism has no particularly prominent examples in which stakeholders participate in the formation of tourist attractions along with the local government in a way that their actions complement the structure of local economic synergy in the system of local communities. Namely, in Croatia there is no practice on the basis that the joint venture organization operating in the micro-level enable the development of such co-operation in mezzo level and form one such product through DMO. There have been attempts to produce a master plan for the development of tourism in Istria County which would engage all potential stakeholders in the tourism product including its preparation and subsequent implementation, but ultimately those synergies never took off the day light.

There are some other examples of stakeholder engagement in the construction of tourism products e.g. the wine and olive oils roads that are related to the attractive tourism offer in agritourism accommodation facilities on rural areas, as well as related business initiatives that are supported by local authorities. But despite this, the support is not strong enough to be classified in the stakeholder theory according to which stakeholders have a precise stake in the modern sustainable tourism product. There were also attempts to motivate local stakeholders to enter into joint projects with major international and domestic tour operators (especially Russian and English in recent times - Thompson, VTO, etc.), the establishment of joint companies, agencies and hotels and to involve local communities in the creation of sustainable tourism products.

Stakeholders were tried to be motivated by the abolition of the zero rate of VAT on organized activities from abroad. This has resulted in increase of the cost of tourism packages, and thus

led to a rise in prices of final products in which the destination share lessen their competitive ability and consequently reduce share of their joint activities in the formation of the tourism destinations' products. Their activity is again pulled in individual performance levels and in creating tourism attractions, but even with those obstacles, presently in Croatia, there are DMO agencies assigned to the implementation of share pricing destination and thus rationalize the tourism offer in a product of DMO. While in Croatia there are many agencies that have names that have DMO sign (Atlas, VenEvent, Rathanea etc.), the only true and currently the best example of the DMO is "Danubium tours" in Vukovar, which turned to be the best way to unite the entire eastern Croatian tourist offer, and create tourism product that completely revalorised tourism and economy of the County. In Istria, Croatia's leading tourism region, there is no agency profiled as DMO, the DMO is already part of such a default destination management organization that promotes the work of the Istria Tourist Board, but since the trend of sustainable development including ecology, organic agriculture, cultural heritage, respect for local communities, biodiversity, authentic products and services, traditional architecture, traditional crafts and trades is present, destination management and local government must emphasize exactly those elements and position them in the minds of potential tourists, tour operators and marketing experts. Destination Management Organisation must start to value local stakeholders and this attitude needs to be transmitted to potential tourists which will feel the "connectedness" in the destination and will appreciate it (Jackson, 2001: 16.). For example, in the Law on Tourism Associations OG 30/94 in Article 26, paragraph 2-5 it is defined that the Tourist Board is a legal organization that cares about developing destination offers and it must include all interest groups and stakeholders in the tourism trade, which will thereby provide a level of synergy that will recover all benefit from participation in the creation of multi tourism product a tourism destination. Very few tourist boards in the country are able to derive their work from the article 26. In Croatia, in practice, controlled system of organization does not apply to routes based on the active concern and involvement of stakeholders in sustainable development at the organizational mezzo-level in this case the destination.

Wisansing (2008) concluded that the establishment of appropriate process, criteria, and structures is a must in applying stakeholder approach as a framework in the management of tourism destination. Byrd and Gustke (2007) used decision tree in order to identify groups of stakeholders supporting sustainable development of tourism, but they selected only four groups of stakeholders. In their case it was not cleared why those groups were selected compared to other groups.

In order for implement of such development point of view to be successful, tourism destination should be shaped by formation of three very important development stage of quality which should be implemented though the system of DMO. A prerequisite for these three development stages must be lifelong education related to sustainable development and management which will create an effective management responsible for the efficient development of resources of all stakeholders in the system.

TQM in management development and IQM model (Integrated Quality Management), that will integrate all potential holders of supply in the micro or mezzo location, should be established and the maximum quality in achieving the goals of sustainable development based on the share approach achieved (Holjevac, 2005).

After defining destination management organization tasks and development of system, stakeholders must be defined. These can be achieved through a system based on continuous improvement and quality monitoring which can be based on Balanced Scorecard Measurement System (Kaplan and Norton, 1993; Kaplan and Norton, 1996; Kaplan and

Norton, 2001). This system would provide quality in implementation of stakeholder approach in tourism.

4 Effects of implementation of stakeholder approach in tourism

For individual success in tourism, cooperation among different stakeholders is necessary. There are a number of benefits and risks for every stakeholder in tourism, as well as certain tradeoffs. D'Angella and Go (2009) list a number of benefits that destination firms and DMO have from applying stakeholder approach as a framework: economies of scale, synergies, lower seasonality, high occupancy rate, promotion activities organized by people with specific skills, planning and organization of events in city, coherence among destination's firms in terms of activities and involvement in the decision making process (D'Angella and Go, 2009: 438). From the aspect of local residents, implementation of stakeholder approach should result in better job opportunities, easier way of obtaining permits for establishing a business (Timothy, 371; Li, 2006), quality improvement of different kind of infrastructure, increasing safety measures (Burns and Howard, 2003) etc.

Currently there is a lack of communication and synergy among different stakeholders in the development process of Croatian tourism. Planning and management of tourism has been rather centralised in a way which can contribute to achieving pre-determined governments' objectives. Although the process of decentralisation of government functions (including planning) has recently started, so far, it has resulted in lots of misinterpretations and misuse at the local level. Moreover, the struggle between different exogenous interest groups and locals over control of resources has often been ignored by both local and central governments. Thus, we have the situation that in Croatian tourist destinations where local population is not empowered in a real sense, involvement is restricted to elites in the community, resulting in consideration of their interests rather than the interests of the community itself. (Petrić, 2007). It is the authors' opinion that the implementation of stakeholder approach principle in destination management in Croatia is at an insufficient level. The benefits of such research are evident in stimulation of the Croatian scientific and professional public as well as in further consideration of the need for the development of the tourism destination management model, adjusted to the circumstances in Croatia.

Further researches should be conducted related to the finding and defining possible models for establishment of functional destination management organisations in Croatia. The existence of tourism community systems should be considered as an existing supporting infrastructure, but also their inadequacy for fulfilment of the tasks set before the organisation of a DMO. Furthermore, possibilities for development of public and private, and private and private, partnerships within the framework of the destination management model should be researched, with particular emphasis on involvement of the widest local public and local interest groups, as an equal participant in the process of tourism destination management.

5 Conclusion

When Freeman first developed and published concept about stakeholder in 1984, he was probably not able to suppose the effects that the stakeholder approach would have on among scholars and practitioners. This concept was created for the purpose of applying it on micro level i.e. the level of a firm, but its successful application is possible even on a higher, mezzo level. One of these possible mezzo level applications is in tourism due to tourism supply clustering in tourism destinations. If this approach is to be transmitted on tourism, a question that has to be answered to is which organization is to be in charge of "the management", and

then destination's stakeholders must be identified. Certain issues in the stakeholder approach have been raised by different scholars and practitioners and they also extend to the mezzo level i.e. tourism destination management. Solutions of these issues are not easy and unambiguous, so a complex and proactive approach of a larger number of stakeholders is needed.

Considering Croatian tourism, it can be concluded that there are great possibilities of implementing stakeholder approach, but, unfortunately, the approach has not been applied to a significant extend. Adequate application of the stakeholder approach may result in quantitative and qualitative improvement of tourism supply at the destination, increase of tourism consumption and developing sustainable tourism. One of the benefits of this approach may occur in reduction of the pressure on coastal area and redirection of tourists to rural area.

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