THE ROLE OF STRATEGY, COORDINATION AND GLOBAL FINANCING IN TOURISM

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ABSTRACT: *This paper focus on developing the essential components of the global tourism product so that the destination can start functioning as a viable tourism attraction as soon as possible. These priorities should be chosen carefully, so that some alternative options and attractions can be left for later. Not only this allows the strategy and product to be finalized in their functioning, but it also offers elements for keeping the destination dynamic and interesting in the subsequent stages of development. Tourism studies are the most suitable method to achieve progress, but they are expensive and must be used in conjunction with other monitoring techniques, such as performance tests or maintaining indicators. These are significant for finding the measurable parameters which help to determine the impact the tourism has on the designated area. They can indicate whether the positive effects could be foreseen or not, or even if there are unexpected indicators of negative impact.*

KEY WORDS: *performance, coordination, strategy, tourism product, attraction*

1. IMPORTANCES OF THE STRATEGY

The performance of a tourist organisation or destination depends on its ability to create value, which is the use of a „resource to exploit external circumstances ... to bring in revenue, or ... to neutralise external situations ... likely to keep revenue from flowing in" [1]. Resources need to be combined or processed in a way to get value out of them, and therefore they are the inputs for capabilities, that is, how things get done to deliver a tourism product or service.

Therefore, how and how much value is created by a tourist company or destination will depend on the resource inputs and their processing and sale for end-consumption by tourists. The value chain helps managers to „visualise and analyse value-creating activities" and to pursue strategies which offer „lower prices than

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competitors for equivalent benefits or provide unique or differentiated benefits that more offset a higher price". Therefore, Porter's (1985) value chain model can be used to assess value creation in tourism. The assessment of value added by a tourist organisation's activities cannot be ignored. Piercy [2] goes further to suggest „we are in an era of value driven strategy" through „value innovation" based on three assumptions: *operational excellence* - reliable products/services at competitive prices, delivered with minimal difficulty and inconvenience, e.g. an airline that flies people to destinations at realistic prices and with few or no delays; *customer intimacy* - precisely tailored offerings for niches, e.g. 18-30 holidays which do not interfere with the enjoyment of families or senior citizens; *product leadership* - offering leading-edge products and services that competitors have difficulty catching up with.

There are significant problems with mapping a value chain for tourism. In manufacturing, production and consumption are often in different places; however, in tourism, production and consumption are in the same place, the destination or resort. It is also questionable if tourism is a single, cohesive industry or simply a convenient label for overlapping products and services such as attractions, accommodation, bars/clubs, restaurants, retail outlets, gifts and souvenirs. Therefore, attempts to develop a collective value chain for tourism may be flawed. It is more appropriate to develop value chain analysis for separate components such as airlines, hotels or attractions.

The following example, which examines a ride, demonstrates how value can be achieved through the examination of the structure of and the supply chain for an attraction. Structure of the attraction (ride):

- *line personnel* - maintenance and engineers, marketing and sales staff - all are involved in producing and selling the attraction's services;
- *operators of rides* - ensure rides run smoothly, within health and safety guidelines, to provide a positive experience;
- *support staff* - finance and accountants, personnel, public relations to support the work of the line personnel, so that the attraction runs smoothly.

The combined activities of these workers can ensure the creation of value for the tourist. Supply chain for the attraction (ride):

- *backward linkages* - purchase of land and the rides and the fuel to run them;
- *operations* - transform inputs to a ride to be experienced and enjoyed;
- *ticket sales and booking system* - on site, by phone and internet;
- *marketing* - promotion, advertising and pricing policy to attract customers;
- *service quality* - meeting the expectations of customers/tourists;
- *customer care* - managing relationships with customers to encourage repeat visits and/or sell the attraction to others;
- *support activities* - R&D, HRM, finance, legal and quality management to ensure smooth running and adoption of new innovations.

Value is created when the end customer is able to enjoy the ride in a safe and encouraging environment. Strategy is defined by Johnson, Scholes and Whittington [3] as the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within a changing environment and fulfil stakeholder exceptions'. This contrasts with an earlier view by

Ansoff [4] as a set of management guidelines which specify the firm's product-market position, the directions in which the firm seeks to grow and change, the competitive tools it will employ, the means by with it will enter new markets, the manner in which it will configure its resources, the strengths it will seek to exploit, and conversely the weaknesses it will seek to avoid. Strategy is a concept of the firm's business which provides a unifying theme for all its activities.

Coulter [1] has a narrower view of strategy as a series of goal directed decisions and actions that match an organisation's skills and resources with the opportunities and threats in its environment. Kotelnikov [5], echoing Ansoff, also suggests that strategy is the way in which a company orients itself towards the market in which it operates and towards the other companies in the marketplace against which it competes. It is a plan that an organisation formulates to gain a sustainable advantage over the competition. Piercy [2] says strategy is really about „being best at doing the things that matter most to our customers; building shareholder value by achieving superior customer value; finding new and better ways of doing things to achieve the above".

Drawing on these themes, Edgar and Nisbet [6] conclude that hospitality organisations should place greater emphasis on adopting, implementing and facilitating the innovative and creative organization. Shelton [7] suggests that organisations can use:

- *stretch,* the assumption that nothing is impossible; the striving to achieve goals or targets that may appear hard to achieve;
- *speed*, being better through being faster;
- *boundarylessness*, willingness to find a better idea or way by going beyond established boundaries or frameworks;
- *to respond to uncertainty and change*, by developing them as sources of competitive differentiation.

These debates about chaos, uncertainty and complexity are not new. Drucker [8] suggested seven sources of innovative or strategic opportunity in descending order of importance for organizations:

- the unexpected - unexpected success, failure or outside event;
- incongruity - between reality as it actually is and reality as it is assumed to be or „as it ought to be";
- innovation based on process need;
- changes in industry structure or market structure that catch everyone unawares; demographics;
- changes in perception, mood and meaning;
- new knowledge, both scientific and non-scientific.

There are different ways of developing strategies. Common approaches are the rational choice and decision-making methods. Rational choice assumes that people and organizations are purposive, seeking to achieve a desired state or outcome, and goal-oriented with a hierarchy of preferences, or benefits, as suggested by Coulter [1] above. In making choices, rational calculations are made to assess the: usefulness and benefits of alternative options and choices based on the preferred hierarchy of preferences and benefits; costs of each alternative assessed against alternative benefits foregone; the best way to maximize benefits.

The development of a strategy can be conceptualized in terms of inputs, processing and outputs. This can be done in two distinct ways: visioning and problem solving. The first approach is driven by a desire to achieve a future position or state, i.e. a vision. From this flows the *strategy pyramid* approach shown in Figure 1.

At other times, the two terms get combined; Thomas Cook's annual report (2003) refers to their „vision/mission".

These approaches to the strategy process have some key components in common:

- a vision or perspective of where the organisation is, could be, or wants to be;
- an assessment of the organisation's competences, resources and sources of competitive advantage;
- an assessment of the external opportunities, threats and competition;
- developing strategic options and evaluating them;
- making final strategy choices;
- developing tactics;
- determining timescales for implementation;
- marshalling resources and winning support for them;
- implementing agreed strategies;
- monitoring, reviewing and evaluating;
- re-assessing strategies in light of experience and modifying as necessary.

This model assumes feedback loops at each stage to allow for changes in thinking. Hence the re-assessment of strategies after implementation might involve a re-examination of the organization's vision; resource base and competences. This backward influence is called feedback.

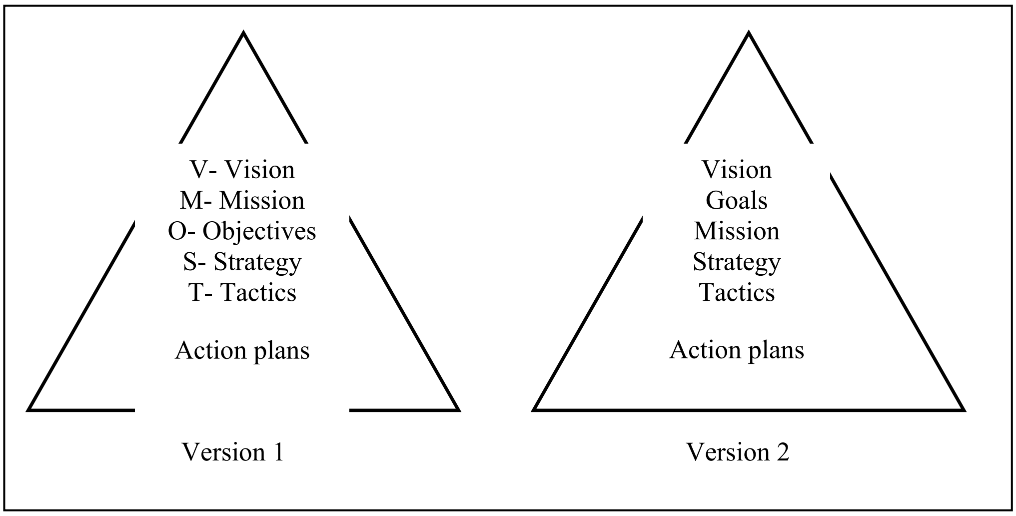

Figure 1. The strategy pyramid

The second approach is to start with problems facing the organization that need to be dealt with or solved, and this requires the development of strategies and action. Here inductive logic takes over, beginning with: an assessment of the problem/issue; identification of the causes; generating options for dealing with it; deciding on the right way forward, i.e. strategy for dealing with it; implementing/taking action; reviewing progress and evaluating and taking further action to improve performance.

The management organization also has an important role to play in maintaining all participants informed on the progress and latest development in the tourism sector. This information should be provided to all those that are interested in a transparent manner and on a normal basis. This not only will give the individual business a chance of taking into consideration up to date discoveries concerning the administration of one's facilities and services, but will also help maintaining the overall enthusiasm and the continuity of the process.

There are several ways of getting to this, for example by means of newsletters, press promotion or the distribution and publishing of all available studies promptly, so it incites to cooperation and future partnerships among different participants. The management organization should look for strategic funds that are going to be used for attaining various projects regarding the strategy of tourism. Resources will be needed for long term activities, such as providing assistance for the management organization's core, work monitoring, adaptive administration and high initial investments.

The most suitable place for this kind of funding is on a local level, self-financing being one of the most secure and trustworthy ways of setting up a viable final product. Funds can come from a variety of local sources, such as a pool of resources among the tourism entrepreneurs, local sponsorships, or an allowance from the public budget of expenses. External funding can also be called for, but one should keep in mind that these tend to be on a short term and are often uncertain. If we become addicted to this external source, the tourism destination will risk collapsing in the event of some unforeseen negative events. However, the search for external sources of financing often allows the starting of the process and the attainment of payment facilities for the high prices of the initial investments.

There are available funds provided by the European Union for most of the unconventional destinations, hence addressed to a smaller segment of tourists. These can be used to co-finance a variety of planned placements, from major works to real estate investments. Eventually, a programme for developing a tourism strategy is very useful for expanding the tourism product in a logical and controlled manner. It is not desirable, nor possible to attain a tourism strategy at once. It would be preferred to have a long term vision of what needs to be done, and then sketch a detailed list of the priorities for a longer period of time.

This action plan should focus on developing the essential components of the global tourism product so that the destination can start functioning as a viable tourism attraction as soon as possible. These priorities should be chosen carefully, so that some alternative options and attractions can be left for later. Not only this allows the strategy and product to be finalized in their functioning, but it also offers elements for keeping the destination dynamic and interesting in the subsequent stages of development.

2. MONITORING AND IMPROVING THE PRODUCT

Tourism is a dynamic and continuously changing industry, highly dependent on a large number of external elements. Inevitably, tourism will evolve over time. A normal cycle of a touristic destination undergoes five phases (see the diagram). In order to be able to respond to these changes and avoid the last phases of stagnation and decline, the tourism strategy must have a monitoring programme. Keeping in touch with the monitoring and the impressions on it gives the possibility of an early reaction, before the problems occur and the creation of a dynamic destination which is capable of adapting to the market needs and change of preferences. This usually fits to relatively small and specialized markets.

Unfortunately, this element is often forgotten or not assigned enough resources. The monitoring programme and management should be developed based on four major elements. These represent the sustaining bases: the impact on the local economy; the impact on the environment; the impact on the society; the tourists' expectations and needs.

Developing the monitoring programme based on these elements will help to:

- identify the positive effects the strategy has on these elements;
- identify the negative effects;
- establish tendencies over time;
- obtain some useful information to start a proper management.

The program itself should determine which information is needed for answering these questions, how they can be obtained, who is involved, how often they will be collected and at what cost. The cost plays an important role for the accuracy of the monitoring. There is no use in developing a highly complex monitoring system if there aren't enough resources for it to function properly. Tourism studies are the most suitable method to achieve progress, but they are expensive and must be used in conjunction with other monitoring techniques, such as performance tests or maintaining indicators.

These are significant for finding the measurable parameters which help to determine the impact the tourism has on the designated area. They can indicate whether the positive effects could be foreseen or not (performance indicators), or even if there are unexpected indicators of negative impact (stress indicators). Indicators are very hard to find. There are no universal indicators yet, even if the W.T.O. along with some other participants are working on it. Each destination will need developing its own set of indicators, according to particular circumstances and necessary information. The following indicators can offer a few ideas about what needs to be taken into consideration.

3. PERFORMANCE INDICATORS

Firstly, primary statistics are required concerning the tourists and their use of the facilities, in order to create an exact image of the tourism in the area, its impact and its performance.

3.1. Statistical elements in tourism

Among the elements which can be determined using these statistics, we could mention: *the total number of visitors per year,* which will help monitoring the progress over time and will determine whether the number of tourists is growing, if the capacity contained in the tourism strategy is occupied or exceeded or if it has begun to slack off or decrease; *monthly fluctuations* will determine the optimal season for tourism, whether there are significant differences between the high season and the others or what happens between different periods; *vacation profiles* will show what kind of people arrive at the destination, whether they come for short or long periods of time, specific area activities, relaxing or in search of certain particularities of nature and environment; *visitors' profile* will describe an image of the type of tourists that visit the respective area, where they come from, how they travel, accompanied or solo, to what age group and social class they belong to; *the success of various attraction points,* information obtained for each attraction point, that will help identifying which of them are more successful and for what reasons.

3.2. Obtaining the information

The method of obtaining this data depends on the respective destination management. It is possible for the management to have a few key attractions and a tourist information centre, where statistical data can be collected and visitors counted. There could exist a special research group capable of obtaining various statistics on its own. This is an ideal scenario. In most cases, options are limited therefore any effort towards working with all those implicated in this process should be done when possible. This means each business should be encouraged to emphasize its own touristic data.

Not only that this will help obtaining performances and customer satisfaction, but it will also create a data basis for the managerial body, necessary in evaluating the global performances of that destination. In the case that using questionnaires to obtain this information is shameful for some businesses, then letting the visitors have access to a suggestion box or a visitors' book in which they can write their own impressions about the place is an useful alternative or even an advantage [8]. Checking up on these periodically will help identifying the general impression or an increase in the amount of negative comments.

At some point, a more detailed questioning of the visitors should be done. Its importance can not be underestimated. It is the only way to obtain an accurate impression of the effects of tourism and an evaluation of the financial effort. Gathering information from different sources will emphasize the most obvious trends, but it will miss the delicate problems a more thorough research could discover, which are very important in obtaining an adequate managerial response. Ideally, this data should be inspected every two years in order to determine the progress over time. Tourism professionals, with experience in settling the questionnaires and interpreting the results, should be involved.

This kind of research will help find the problems through tourism statistics and obtain opinions concerning:

- *The economic impact* upon the individual tourism performers and the local community, in general. Interviews and research on these activities, along with a general view on the economic analysis and employment tendencies will help establish the power of the economic impact. For example, it will help determine whether the business is profitable and competitive, if the local economics has diversified, the employees' image has improved and the initial investment has been covered.
- *The impact on environment*. Measuring the impact determines the protection and conservation of nature and cultural environment on which tourism is based. It shows whether they are in good shape or have suffered deterioration over time. There is an ascendant tendency to conserve nature – more sensitive politics, additional funds.
- *The social impact* on the local community in terms of higher life standards, better jobs and training, or the negative aspect, caused by the rise in prices. Less materialistic aspects are also of interest, such as reviving the traditional arts, which can be observed while interviewing the locals.
- *The degree of tourists' satisfaction*. The information regarding the visitors' degree of satisfaction will help discover what tourists appreciate most, what they liked during their previous visit and if they intend to spend a future vacation at the same location. It also shows how the quality standards affect the choice of tourism destinations.
- *Marketing success*. Finally, the successes and failures in marketing must be treated carefully. Details about how tourists pick a holiday destination and organize their trip, taking into account the means of transport, accommodation, booking places, will determine whether the marketing strategy has been performed according to expectations. Once the annual statistics and occasional questionnaires are complete, it is important for the ones involved to have access to them. This will help them stay informed on the performance of the destination and take into consideration the possible adjustments for adapting to changes and opportunities.

3.3. Stress indicators

Stress indicators are another element of monitoring programmes and are useful for completing primary tourism statistics and complex evaluations, through introducing an early warning mechanism in the process. Essentially, they need to be selected in accordance with elements that are easy to monitor. If they are activated, they will send a warning signal that it is time for more detailed investigations. The European Commission has recently published a report on early warning systems for tourist destinations, which is often consulted by the participants in this field.

3.4. Environmental indicators

Indicators of environmental stress are essential for the long-term tourism. Even if we are careful with the environment, it is not always possible to foresee the impact the tourism has on it. It is very important to be able to observe the early negative tendencies and prevent them from becoming problems. The type of impact depends on the type of activities, but generally, it includes a large area of factors, from water pollution to altering the animal life. The significance of the effects will depend on the environment vulnerability and the intensity of using it.

The potential indicators of environmental stress will be calculated in accordance with these elements. In case of water pollution, monitoring the water on a steady basis will help discover any changes on pollution levels. Erosions and visible signs of degradation will also be stress indicators. In any case, it is essential to establish a connection between the impact on environment and visitor density, intensity and the type of activity [8]. This will help determine the level of visitors and patterns which can be tolerated by the environment without significant harm. An evaluation of these capacities has already been estimated during the development stage of the tourism strategy. Now it is time to check if these estimations are correct and if it is necessary to revise them.

3.5. Indicators of visitor satisfaction

Psychological stress indicators produce an early warning system for the low level of visitor satisfaction. If the tourists are less satisfied with their visits, they will probably not return or recommend the place to others. Stress indicators must be structured to observe these problems early and determine why the level of satisfaction is so low. There could be common reasons, such as traffic congestions in the area, too crowded, loss of events and places' authenticity, over commercializing destinations and resources. The easiest way to find these stress indicators is to let visitors have access to suggestion boxes, which give the tourists the opportunity to register comments and spontaneous reactions. If the number of negative comments keeps rising, then it is time for a more complex study.

3.6. Social indicators

Finally, the stress indicators can also be applied to the local population, but of course it's harder to identify key factors for this group. Two possible signals are the increase of negative reports from the local press and modifications in the ratio of the local population to tourist population. According to the W.T.O., if this ratio is higher than 1, then problems and conflicts are likely to appear.

The various techniques for monitoring (stress indicators, tourism statistics and special studies) will provide all the necessary information for a satisfying managerial response. Some of the problems could correspond to some individual attractions or services. Others can be more complicated and might need a more complex answer from all groups involved and even a possible change of the politics. For example, this can happen if the destination has reached its maximum capacity. Because of this, the information cycle is so important. Only by observing and using this circular process, it is possible for these touristic destinations to remain attractive and dynamic.

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