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Content / Kazalo

original scientific article

An institutional approach to the environmental practices of golf courses

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Abstract

As it is well known, the number of golf courses has increased exponentially in many tourist destinations, which has generated a public debate about its environmental impact. In many Spanish destinations such as Andalusia, this sport has become one of the products with greater pull in their tourism offer, with significant economic impact in this territory. All this has prompted the generation of a highly institutionalized context.

This paper attempts to analyze this context in a sample of golf courses located in the Spanish region of Andalusia and to test empirically the relationships between environmental practices and institutional context with its corresponding coercive, normative and mimetic mechanisms. Finally, its relationship with the performance of these organizations is established, testing if a direct or indirect relationship exists through the search for legitimacy, as suggested by the Institutional Theory.

Key words: Institutional Theory, golf, tourism, environmental management

1 Introduction

The practice of golf is a phenomenon that goes beyond the merely sporting and carries implications of great significance for tourism. It has given rise to an entire tourism industry revolving around golf, and Andalusia has become the leading region of Spain in the reception of tourists of this type, with the consequent increase in the number of golf courses.

However, there is an open debate in society on the environmental impact of this type of installation. This debate has led to a series of actions being undertaken, in most the cases imposed by legal regulation, aimed at reducing the negative effects that golf courses can have on the natural environment. As a consequence of this situation, we have opted to take Institutional Theory as our reference framework.

The great majority of theoretical institutionalists agree that the three pillars supporting this theory are the regulatory, normative and cognitive approaches, as it is display in the following table.

The regulatory institutionalists interpret legitimacy as conformity with standards. Thus, legitimate organisations will be those that act in accordance with the legal requirements, carrying out actions rationally and subject to a legal, rational and consciously constructed order. The agents act in their environment in response to diverse restrictions and incentives that they believe will serve their own interests.

The normative pillar considers legitimacy as moral obligation, which goes beyond mere legal requirements. It is argued that normative controls will be more interiorised than regulatory controls and compliance with those controls will bring both intrinsic and extrinsic rewards. Actions carried out are rooted in their social context and are orientated by the moral dimension provided by obligations and relationships with others in each situation (Navarro & Ruiz, 1997).

Lastly, in the cognitive pillar it is stated that organisations seek legitimacy by adopting structures and behaviours of reference already accepted as correct which are designated "socially-constructed acceptations" (Navarro & Ruiz, 1997). Organisations operate in accordance with "rational myths", which are the institutionalised beliefs or rules of the game (Scott, 1995).

2 Research model

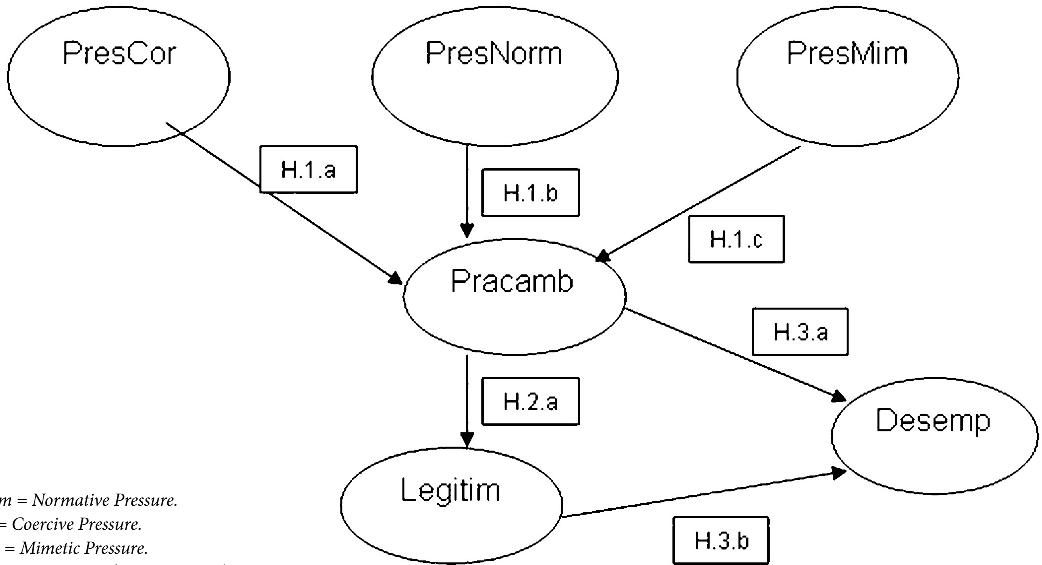
The research model proposed is based on the configuration of the institutional context of the golf courses of Andalusia. The different systems that we have described previously translate to the three institutional mechanisms (normative, coercive and mimetic) that will exert pressure on their environmental practices. On these lines we present the research model:

Table 1: *Differences of emphasis of the three institutional pillars*

INSTITUTIONAL ELEMENTS	REGULATORY	NORMATIVE	COGNITIVE
BASIS OF COMMITMENT	Convenience	Social obligation	What is accepted
MECHANISMS	Coercive	Normative (Standards and Values)	Mimetic
LOGIC	Instrumental	Appropriation	Orthodoxy
INDICATORS	Rules, laws, sanctions	Accreditation	General, isomorphism
BASIS OF LEGITIMACY	Legal sanction	Moral government	What is conceptually correct

Source: Scott, 1995

Fig. 1: *Graphic representation of the model*



PresNorm = Normative Pressure.
Prescor = Coercive Pressure.
PresMin = Mimetic Pressure.
Pracamb = Execution of environmental practices.
Desemp = Organisational performance/returns.
Legitim = Legitimacy.

Source: Authors' own compilation

The following research hypotheses are put forward:

H1a: Coercive pressure produced by the laws and other regulations applicable to the activities carried out in the golf courses of Andalusia have a positive influence on the adoption of sustainable environmental practices by these organisations. (+)

H1b: The acceptance of values and standards that originate from the normative pressures applicable in the context of the golf courses in Andalusia have a positive influence on the adoption of sustainable environmental practices by these organisations. (+)

H1c: The imitation of environmental practices employed by other organisations perceived as successful by the golf courses in Andalusia has a positive influence on the adoption of sustainable environmental practices by these organisations. (+)

H2a: The implementation of environmental practices by the golf courses in Andalusia is principally motivated by the search for social legitimacy, more than by the increase of business performance or returns. (+)

H3a: The implementation of responsible environmental management practices by the golf courses in Andalusia has a positive influence on the business performance of these organisations. (+)

H3b: A positive direct relationship exists between the social legitimacy sought by the golf courses in Andalusia and their business performance or returns. (+)

From the preceding hypotheses, it can be inferred that our model aims to measure the degree of influence that the mechanisms of institutional pressure (Scott, 1995; DiMaggio & Powell, 1983; North, 1990; Berger & Luckman, 1967; D´Andrade, 1984) have on the employment of sustainable environmental practices by the golf courses in Andalusia. In addition, we aim to corroborate the propositions of the classic institutionalists (Meyer & Rowan, 1977), in the sense that the final objective of practices of this type is more to gain legitimacy and social acceptance than to increase economic efficiency or organisational performance/returns.

Table 2: *Technical specifications of the sampling*

Research field	Golf courses located in the Autonomous Region of Andalusia
Geographic location	Andalusia
Methodology	Structured questionnaire
Universe	96 golf courses in Andalusia
Size of the sample	Sample = universe, 96 golf courses
Valid responses	31 (32.29% of response rate)
Sampling error	7.42%
Level of confidence	95%, p = q = 0.5; Z = 1.96
Period of data collection	Pretest: September 2008. First mailing: December 2008. First re-mailing: January 2009. Second re-mailing: February 2009. Treatment of data: February and March 2009.

3 Methodology and sample

The instrument of measurement utilised to obtain the data was a structured questionnaire directed towards the greens keepers and/or managers of the golf courses of the Autonomous Region of Andalusia since these are believed to be the individuals who have the most direct information on the topics studied.

A first version of the questionnaire was tested by several faculty members, with experience in this type of research, and managers of golf courses. Our objective was to ensure the validity of content of the instrument of measurement. Once the questionnaire had been sent, and after waiting one week, we interviewed these initial recipients to analyse their suggestions which were incorporated in the definitive questionnaire.

Having thus validated the questionnaire, we were then ready to apply it to the population being studied, that is, to the population consisting of the 96 golf courses in Andalusia that were in active operation during the year 2009. In continuation we present the principal characteristics of the sample.

The scale utilised to measure the key factors of the research model is a Likert scale of five points. For the three pressure mechanisms argued under the Institutional Theory the type of measurement used has been utilised before, in the studies of DiMaggio and Powell (1991), Kostova and Roth (2002), and Llanas (2005). For the performance of environmental practices we have taken the indicators designed by Romero et al. (2005) as the basis. The measurement of legitimacy has been made based on Deephouse (1996). Lastly, we have utilised the scale proposed by Powell and Dent-Micallef (1997) to measure the organisational performance, utilising the respondents' perceptions of their own organisation's performance in comparison with its competitors.

Table 3: *Latent variables of the model and indicators*

HYPOTHESES	HYPOTHESES	INDICATORS	ABBREVIATIONS
H2a	Legitimacy (Legitim)	Social recognition.	Recosoci
		Organisational values.	Valorg
		Legitimacy, Public Administration.	Admolegi
		Legitimacy, employees.	Emplegi
		Legitimacy, citizens.	Ciulegi
		Legitimacy, communications media.	Maslegi
		Legitimacy, customers.	Clielegi

HYPOTHESES	CONSTRUCTS	INDICATORS	ABBREVIATIONS
H2a	Legitimacy (Legitim)	Legitimacy, suppliers.	Provlegi
		Legitimacy, associations of ecologists.	Asoclegi
		Legitimacy, professional associations.	Proflegi
		Legitimacy, business sector.	Sectlegi
		Relationships with pressure groups.	Relagrup
H1a	Coercive pressure (Prescor)	Knowledge of laws.	Conoley
		Compliance with laws.	Cumpley
		Regulatory authorities.	Orgregul
		Existence of agreements.	Exacuerd
H1b	Normative pressure (Presnor)	Moral obligation.	Obligmor
		Congruence with values of the context.	Congrval
		Social norms.	Normsoci
H1c	Mimetic pressure (Presmim)	Knowledge from experience.	Conoexp
		Models to follow.	Modelseg
		Imitation practices.	Imiprac
		Knowledge of successful experience.	Conoexit
H3a H3b	Environmental management practices (Pracamb)	Number of environmental proposals.	Numprop
		Proposals put into practice.	Propract
		Proposal achieves objectives.	Probjet
		Cost of environmental actions.	Costemed
		Number of environmental legal proceedings.	Expedmed
		Employees in environmental training activities.	Emplefor
		Hours of environmental training activities.	Horafor
		Awarded environmental certification.	Provcert
		Purchases from suppliers with environmental certification.	Compcert
		Expenditure on disseminating environmental achievements.	Diflogro
		Expenditure on campaigns to increase awareness.	Campconc
	Business performance or returns (Desemp)	Economic conditions 2007.	Condeco
		Financial result 2007.	Rtdoeco
		Returns 2007.	Rentbil
		Number of Green Fees 2007.	Numgren
		Market share 2007.	Cuotame
		Economic conditions 2003-2007.	Condeco03
		Financial result 2003-2007.	Rtdoeco03
		Returns 2003–2007.	Rentb03
		Number of Green Fees 2003–2007.	Num03
		Market share 2003–2007.	Cuota03

The scales were reviewed utilising factorial analysis with the object of determining their uni-dimensionality. In relation to the type of indicator selected, in all cases the indicators have been of the reflective type.

4 Analysis of data using PLS

The PLS (Partial Least Squares) technique was utilised for the analysis of the data. This technique can be considered appropriate in our case for two main reasons. First, as a result of the procedure of segmentation of complex models, the PLS approach can work with small sample sizes (Barclay et al., 1992), as in our case. Second, according to Selling (1995), the use of PLS should be considered in studies of the exploratory nature.

The graphic representation of the structural model appears in Figure I. Having represented and defined the variables, a PLS model has to be analysed and interpreted in two steps, in which the measurement model and the structural model are considered.

4.1 Analysis of the measurement model

In this step we determine whether the theoretical concepts are measured correctly by the variables observed; for this their validity and reliability are studied. In a PLS model the individual reliability of the item, the internal consistency and the convergent and discriminant validity are analysed (Chin, 1998).

The individual reliability of each item for constructs with reflective indicators is evaluated by the PLS model by examining the loading or simple correlation of each indicator with the construct that it is intended to measure. The value of the standardized loadings must be equal to or greater than 0.50 according to Falker and Miller (1992). In the scales employed, the majority of the indicators present loadings higher than 0.50; in particular, and after successive clearings we are left with 27 items, out of a total of 44 that comprised the initial scale.

The reliability of a construct allows us to check the internal consistency of all the indicators when measuring the concept; in other words, an evaluation is made of how rigorously the manifest variables are measuring the same latent variable. To measure this parameter we must look at the composite reliability, given the advantages that it presents over the Cronbach's Alpha. For this we follow Nunnally (1988), who suggests 0.7 as a modest level for the reliability in early stages of research and a stricter 0.8 for basic research. The table below gives the values of the composite reliability obtained for the reflective constructs that comprise the model proposed.

It can be seen that all the constructs have a composite reliability higher than or practically equal to 0.7.

The convergent validity is analysed by the average variance extracted (AVE), which gives the amount of variance that a construct obtains from its indicators in relation to the amount of variance due to the measurement error. For this, Fornell and Lacker (1981) recommend values higher than 0.5 since this level guarantees that at least 50% of the variance of the construct is due to its indicators. The following table presents the values of the AVE obtained in the research model proposed.

Table 4: *Composite reliability of the constructs of the model*

Constructs	Composite reliability
PresCoer	0.697582
PresNorm	0.802031
PresMIm	0.744143
Pracamb	0.915181
Legtimi	0.885277
Desemp	0.867587

Table 5: *Convergent validity of the constructs of the model*

Constructs	AVE
PresCoer	0.537966
PresNorm	0.579547
PresMIm	0.593380
Pracamb	0.576204
Legtimi	0.609760
Desemp	0.505700

Table 6: *Discriminant validity*

Constructs	PresCoer	PresNorm	PresMIm	Pracamb	Legtimi	Desemp
PresCoer	0.733					
PresNorm	-0.382	0.761				
PresMIm	-0.097	0.357	0.770			
Pracamb	-0.425	0.444	0.397	0.759		
Legtimi	-0.312	0.633	0.411	0.486	0.780	
Desemp	-0.464	0.207	0.135	0.505	0.461	0.711

As can be observed, all the constructs of the research model proposed meet the condition recommended by Fornell and Lacker (1981); therefore it is accepted that the constructs possess convergent validity.

To evaluate the discriminant validity we check whether the average variance extracted (AVE) of the construct is greater than the square of the correlations between that construct and the rest that make up the research model (Fornell & Lacker, 1981), which indicates that one construct is different from any other. To make the procedure of calculation more practical, we perform the inverse procedure, that is, to determine the discriminant validity of a construct the square root of AVE is calculated; the AVE has previously been calculated by running the data on the Visual-PLS software; the value must be higher than the correlations presented with the rest of the constructs. These values are given in the next table in which the elements of the diagonal correspond to the square roots of the AVEs.

As can be observed, all the constructs meet the condition argued by Fornell and Lacker (1981); therefore we can state that the constructs have discriminant validity.

4.2 Analysis of the structural model

The following table reflects the path coefficients between the different constructs, which tell us in each case the strength of the relationship established between two constructs:

As can be observed in this table, all the path coefficients meet the condition proposed by Chin (1998), being above 0.2.

The predictive power of the model that we have put forward can be analysed utilising the value of the variance explained (R^2) for the dependent latent variables (Chin, 1998; Falk & Miller 1992; Leal & Roldán, 2001). Falk and Miller (1992) stipulate values that are equal to or larger than 0.1 as adequate for the variance explained. In our case, as is reflected in the next table, we can conclude that the model presents an adequate predictive power.

Table 7: *Path coefficients, correlations and variance explained*

Relationships of the internal model	Path coefficients	Correlations	% of variance explained
PresCoer->Pracamb	0.3120	-0.425	13.26%
PresNorm->Pracamb	0.2220	0.444	9.86%
PresMim->Pracamb	0.2880	0.397	11.43%
Pracamb->Legtimi	0.4860	0.486	23.62%
Legtimi->Desemp	0.2820	0.461	13.00%
Pracamb->Desemp	0.3680	0.505	18.54%

Table 8: *Variance explained of the dependent variables*

Endogenous constructs	R2
Pracamb	0.345
Legitmi	0.236
Desemp	0.315

In respect of the stability of the estimations offered and according to the propositions argued by Barclay et al. (1995), Tenenhaus et al. (2005) and Henseler et al. (2009), we consider appropriate to complement the analysis of the structural model estimated with the PLS technique, by means of the cross-validated redundancy index (Q^2) or the Stone-Geisser test (Stone, 1974; Geisser, 1975). In our case the values of Q^2 are slightly higher than zero, as shown in next table; this indicates that the model has some predictive capacity or relevance, albeit weak.

In any case, the values presented by Q^2 in our work are not negative, which would have indicated that the model lacked any predictive power (Henseler, 2009). We agree, however, with what Barclay et al. (1995) state. They argue that the objective of the PLS analysis is to explain the variance in a sense of regression and thus R^2 and the level of the path coefficients are measures sufficient and indicative of how well the model performs. In our case acceptable levels in both measures are obtained, therefore we can conclude that the model does have predictive capacity.

Fig. 2: *Model with the results of testing the hypotheses*

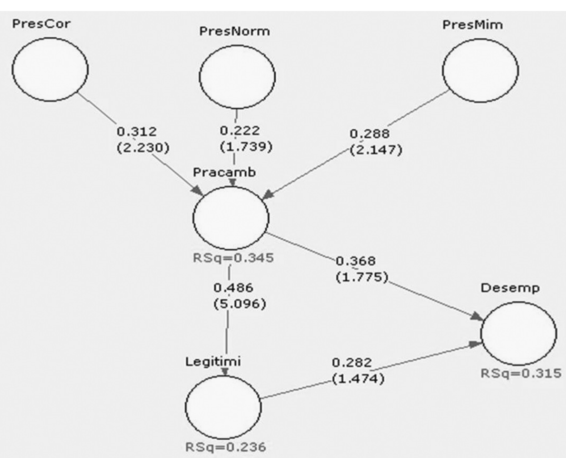


Table 9: *Stone-Geisser test for the latent variables*

Endogenous constructs	Q2
Pracamb	0.005
Legitmi	0.002
Desemp	0.003

5 Testing of hypotheses

Subsequent to this testing, we executed a Bootstrap analysis in PLS to utilise a Student-T distribution of two tails, with n-1 degrees of freedom, n being the number of subsamples analysed (in our case 500), to determine that the relationships (hypotheses) are statistically significant.

The following figure shows the β coefficients and the Student-T tests (in parentheses in the figure) of all the relationships between the constructs of our model.

If we take as reference the levels of acceptance commonly argued in the scientific literature for this type of PLS technique, we can state that the hypotheses H1a, H1c and H2a would be accepted and their testing would be positive. Similarly, the hypotheses H1b, H3a and H4a would be rejected because their Student-T test values do not exceed the minimum level required of 1.96 (or alternatively we would have to lower the level of significance demanded).

6 Conclusions

The object of the present work is to analyse and study the impact of the corresponding institutional context on the golf courses of Andalusia. A series of conclusions can be drawn from this analysis, with implications for the management of organisations of this type.

First we can state that the golf courses of Andalusia coexist with a highly institutionalised environment in which we can differentiate the classic mechanisms of pressure and isomorphism developed according to Institutional Theory and defended by authors such as Meyer and Rowan (1977), Scott (1995) and DiMaggio and Powell (1983). Thus, we can distinguish a coercive mechanism that is reflected in the broad legal tradition regulating the activities of these organisations; similarly we have been able to identify a mimetic mechanism arising out of the experiences considered successful in environmental matters; and lastly there is a normative mechanism that arises from the various initiatives of professional associations of this field in environmental matters.

From this institutional context, which we have identified and defined, we can conclude, in function of the data of composite reliability that we have obtained, that all the constructs considered in the present study have a fairly acceptable internal consistency. Similarly, we can state that at least 50% of the variance of all the constructs is due to their indicators; therefore convergent validity is another of the characteristics to be noted, particularly with respect to the constructs that form the institutional context.

We can state that the mechanism that has the greatest incidence on the development of environmental management practices by these organisations is coercive pressure followed by mimetic pressure and in third place, normative pressure. This proposition is motivated by the great diversity of standards that exist in relation to the activities of golf course management and their relationship to the natural environment and especially by the approval of Decree 43/2008 that regulates the establishment and functioning of golf courses in Andalusia with many environmental implications.

Another of the conclusions that needs to be emphasised refers to the importance for these golf course of the concept of legitimacy, which is widely understood as social acceptance. It has been demonstrated in the study that the principal motivation for implementing practices of environmental protection is the achievement of social legitimacy, even more than the improvement of financial performance and returns. Moreover, those managers interviewed at these golf courses do not believe that a greater legitimacy necessarily generates better returns for them. They are similarly sceptical that putting environmental policies into practice represents a better organisational performance for them.

The preceding statement strengthens the importance for the golf courses of being respectful of the natural environment since this confers social acceptance upon them and, therefore, brings clients and resources that ensure their survival.

Our aim with this study is to contribute to the studies termed “environmental or green institutionalism”, but from a perspective of organisations related to tourism and we believe this study provides additional knowledge on this field of research.

Institucionalni pristop k okoljskim praksam na tečajih golfa

Povzetek

Kot je znano, se je število golf igrišč v zadnjem času v mnogih turističnih krajih izjemno povečalo, kar je sprožilo javne debate o njihovem vplivu na okolje. V nekaterih španskih pokrajinah, kot je na primer Andaluzija, je golf postal ena pomembnejših turističnih privlačnosti, ki ima nezanemarljive ekonomske učinke na okolje.

Pričujoči prispevek poskuša s pomočjo rezultatov empirične raziskave, ki je bila izpeljana na vzorcu golf igrišč, analizirati institucionalni kontekst in odnose med okoljskimi praksami nosilcev ponudbe golfa in prisilnimi, normativnimi ter mimetičnimi mehanizmi okolja. V nadaljevanju je s pomočjo institucionalne teorije obravnavana povezanost med dejanskimi praksami in neposrednimi ali posrednimi vplivi različnih mehanizmov.

Ključne besede: institucionalna teorija, golf, turizem, okoljski menedžment

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Intelligent systems in the international economy

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Abstract

The scientific, technical and information-communication revolution has had a significant effect on the general changes occurring in the modern economy, determined by places, roles and the contributions of modern systems. The existing intelligent operating systems in turn establish the conditions necessary for the further development of modern society in general. The factors which refer to the above statement result in the need for key changes in the previously existing level of knowledge, abilities, creativity, innovativeness, motivation, and the productivity of human resources which work and create new technical-technological conditions. They should adjust to the newly-created situations better and faster, as well as provoke and develop new changes. This especially refers to leading entrepreneurial, managerial, expert and other specialised human resources of enterprises, whose obligation it is to introduce its business to the market and to achieve the best economic effect possible. After successful international activities undertaken by the World Trade Organisation (WTO), the role of small and medium-sized enterprises in the international economy has been growing stronger. The need for further successful operations by economic and other entities in new, creative conditions should be based on contemporary scientific achievements which should make use all the benefits of intelligent systems.

Nowadays, an increasing number of companies are using modern technologies in their business operations and internet technology is a very significant part of this process.

Keywords: intelligent systems, economy, co-operation, innovativeness, human resources

1 Introduction

In an attempt to apply a modern way of thinking of current international economic growth supported by innovative solutions which have affected developed countries of western Europe for almost 50 years, it is also necessary to find ways outside of these processes and this especially refers to the Croatian economy (Božićević, 1992, 12). Both newly created and past organisational principles should be taken into consideration in this process as well as possibilities developed by the information society. This is a very difficult and complex process in which multidisciplinary activities should be used along with a great deal of work and co-operation, the linking of current social values, as well as innovative achievements of the society with contemporary scientific resources and human resources and their possibilities of use. In this process it is also important to learn and define the basic strategy and tactics of the market appearance, followed by maintenance of the national or international market. Taking into consideration these theses, this paper analyses the role of information technologies in the further innovation development of the national or international economy.

2 The role of technology in information society

There are many questions regarding the impact and consequences of the past scientific discoveries on the current and future development of human society. This question is relevant because of the impact of application of new products, technologies and services on human labour and life. National or international scientific or professional places in which one can, without any haste imposed by modern time, calmly and steadily ponder these newly-opened questions of the modern era, are very rare. One strives to find the best answers to these questions and also tries to eliminate the unwanted side-effects before they appear in all their negativity. According to some authors, the greatest obstacle to such positive effects are the disciplinary limitations of the current educational practices in national educational institutions, which is even more stimulated by how quickly acquired knowledge becomes outdated, the loss of contact with further education upon completion of post-secondary education and losing insight in contemporary, newly discovered scientific insights.

In this respect the scientist Jon Katz, in one of his scientific works, points out that technology is not just some word with a meaning but rather an occurrence which, by its activity, causes an unavoidable moral effect. His hero, through his actions, comes into conflict with society's legal system and as it usually happens in life, the most dangerous individual for the system is the one who foresees the final outcomes and effects of real events in society while the leading elite does everything in its power to isolate such individuals and eliminate them from the social environment in which they could carry out their ideas. The main character is a side-effect of technological changes which have, by their uncontrolled application, spread fear and insecurity in the community, unprepared for such an innovation process (Katz, 1998).

Unfortunately, such events also occur in the modern societies of many less developed and transition countries. These actions are based on ignorance and limited scientific insights and especially if a profession is tainted by political and other laymen's structures in society, these things happen along with strong support from a biased media. This is the time when truly bizarre scenes and actions take place. Such behaviour and actions have a direct effect on weakening of a country's economic power, cause fear for the survival of the country's working population, and directly encourage the creation of a negative climate in which everything is better than the honest and creative work of an individual.

With every new modern technology, it must be analysed whether the issue is the direct application of science, technology as a mere procedure, or whether the acting force is the system which satisfies the needs of the respective society. The application of new technologies causes changes not only in the respective environment but in the entire economic system of a country because the these changes primarily occur with the objective of meeting the needs of modern man who operates in the immediate or distant environment of applied technology. The movement to meet the needs of modern man was already stimulated in the 1950s by the development of new scientific achievements in the field of cybernetics and the corresponding cybernetic systems. Acceptance of these insights brought about a new way of treating nature and society; techniques and technology have emerged. On the other hand, this has enabled previously unthought-of developments in physics, chemistry, microelectronics, communications, informatics and other sciences. In order to accept these innovations and to understand the newly-created processes, new knowledge and insights were needed. In this process, the greatest role was that of computer application which stored all of the acquired knowledge, integrated in the computer process. Afterwards, it provided the possibility of use to a wide circle of users. Further computer development resulted in increasing operating abilities and provided for wider use. Development of computer and computer technology continues. All of this has had a significant effect on all industries and has been the basic agent of new changes in society. This has become especially evident in the developed Western countries. The developed countries of the West have become connected by the systems of global communications and have created the world computer system called www – the World Wide Web. This system has expanded the possibilities of the existing computers even further.

A global computer system called ETHERNET, designed by Bob Metcalf, has been growing stronger lately. In Metcalf's opinion, the real value of his computer system increases exponentially, while the price of the expansion of the system itself grows linearly (Lipnack & Stamps, 1991). According to realistic estimations of many authors, it is expected that there will be over a billion users of this computer system by the end of this millennium which will inevitably cause both many positive and negative changes in people's lives.

Computer technology has been increasingly applied in many fields of human activity and becomes the most replaceable part of human activity. In order to use increasingly more complex programmes on a modern computer, it takes ever greater know-how and ability. In this particular field of human activity, modern technology finds its great application and has a significant effect on users. With the assistance of computer technology, businessmen, scientists, and public administration can very successfully co-operate and communicate within others in their profession and as well as with other users. In this way, computer technology users start co-operating internationally which has a significant impact on global co-operation relations and intergovernmental competition. By means of computer technology, new products and new technologies are offered to the world. It is enough to turn on the computer in order to contact any part of the world without censorship or control by repressive government organs. In this way, world knowledge is at the disposal of anyone who shows an interest because a large treasury of general knowledge has been created which has been stored in computers. Methods for storing the world's knowledge in computers have been perfected. There are great collections of general knowledge and expert systems which have been increasingly used via a computer network (Chorafas, 1990). After such insights, one thinks differently of the very role of knowledge. Knowledge becomes a highly esteemed value which is especially appreciated in the most developed countries (Moschella, 1997). The same happens with technologies. They are all a reflection of the knowledge accumulated so far with a hint on how to do something in a better way. The term «technological gap» should be taken into consideration in this respect. It was created to improve the understanding of the difference in the possibilities of organisation and application of the manufacturing process in undeveloped countries. In this way, the world is divided into those who own the contemporary knowledge and those who do not (Božićević, 1996, 245).

In this respect, it should be noted that the term «technological gap» is not fully adequate for the world economic order because there are technological differences among the developed countries as well and these differences are great because technological achievements in some countries have reached such progress in some professions that have been reached in the other neighbouring, also developed countries, but on the basis of another profession. These other countries greatly lag behind the first countries in terms of know-how. In this way, a new information society is created; the one which has a tendency to divide people into those who own the information, the know-how and skills, and those who do not. They are the «INS», or the leading layer, and the subordinates are the «OUTS» layer. They do not own the information or own half of the information (McHale, 1972, 195). Many authors predict a conflict between these two groups of people because their habits, needs, and desires will be different.

In this context, the opinion of E.F. Schumacher, the author of a technological work called «Small Is Beautiful» is also relevant. In this work, Schumacher presents the idea of the so-called «desirable technology» as helpful in overcoming the existing technological differences in the world with an emphasis on the realisation of the desired transfer from the traditional, labour-intense economic system to the highly developed capital and energetic manufacturing system. He proposes that the foundation of the economy should be based on Buddhism; a religion which prefers the so-called correct way of life (modesty and the sacrifices of the individual) which allegedly achieves the highest social contribution with the least possible spending of material resources. This idea has attracted the attention of the developed, as much as the undeveloped world countries; however, the idea has not been realised in practice because except for caring about the for social well-being, there is too great a desire for personal gain in the world as well as a desire to have the power to rule over people by those leaders who are ready to destroy the world for their own pleasure, for which there are many examples in history. The term «intertechnology» applies to the interpretation of Schumacher's ideas which could be interpreted as inter-knowledge which should be realised as a bridge which would connect traditional technologies and their substitution with new technologies developed in the developed countries. This idea has not been realised in practice. Instead, synchronised technologies have been applied, adjusted to local resources of the country which adopts them, or local opportunities synchronise with foreign financial investments (Gould, 1987). Except for the strong resistance of traditional manufacturing technologies, such an attitude was boosted by difficulties originating from the energy crisis, and accelerated entrance of the developed societies in the informatics era.

Increasing damage to nature caused by traditional manufacturing technology and the accelerated destruction of natural resources in the 1970s resulted in the necessity to protect remaining natural resources which, in turn, has encouraged debates on the creation of «clean» technologies. In all contemporary debates on technological issues, technological procedures and the application of technology, the most important opinion is that of the interaction of modern development of economy and society, and their dependence on environmental protection and the given resources (Tibbs, 1993). The manners of adjustment to new ways of manufacturing greatly depend on the reduction of environmental damage, in the process of which new technologies are applied, as well as new materials and raw materials. A constant obligation is the recycling of rejected products and of other waste and the development of new technologies for these auxiliary activities. In order to achieve this it takes new knowledge and human resources trained in a new way.

3 New knowledge and human resources are necessary for the application of new technologies

This part of the paper is marked by the idea by D. Wolker and J. Henri from the book *Managing Innovation*, in which they state: "It is relatively easy to have an idea; however, to realise an idea in a useful and effective way, is a true endeavour" (Henry & Walker, 1991, 3). Thus, turning an idea into a useful product is a true, but also a very difficult endeavour. For example, there have been a great number of innovators in Croatia who have realised many ideas which mankind has found useful throughout history. However, we are witnesses to a very negative attitude regarding the environment towards innovators and almost hostile behaviour which is especially reflected in the non-existent social support to the innovative work of individuals. Also, the support of the social community which would stimulate innovation activity is weak. The innovators do not have at their disposal entrepreneurial capital, scientific institutions on the level of a manufacturing unit, nor do they have access to government institutions. In many companies, politically correct or loyal individuals are appointed to responsible management positions. They are incompetent in the field of manufacturing needs and technological organisation and they think of their current job just as a step in their climb on the ladder towards political power. Naturally, in such a climate, it is hard for a creative individual to work and create. Innovation is not realised in a reasonable fashion and the individual is ignored and often ridiculed.

On the other hand, when a regime in some country demands urgent innovation changes in order to realise its political ideas, there is the situation of «ad hoc» innovation creation.

This creation is usually short-term and relatively successful and the leadership which orders such innovation is often unaware of damages caused in the long run to resources and the natural environment. People often forget that in the modern age, all complex tasks and problems of the economy or society should be resolved by joint activities of all professions and by scientific influence.

The approach to business activities, manufacturing and services has been changing significantly in the world economy. Thus, a trend has emerged in which an increasing number of large world companies are doing business with an increasingly smaller number of employees. For now, employment and innovativeness have been provided in small and medium-sized enterprises in which an innovative individual is especially valued. In this environment, an individual, assisted by information technology as well as a high degree of knowledge and skills and assisted by the government, achieves remarkable results. The world economy should not only make use of cutting edge technologies and know-how, but should also bear in mind that this greatly expands human possibilities for action (Mitscham, 1994). In this respect, it should be noted that nature has given man the possibility to organise his environment and other people and that such activity must be stimulated in order to create a new environment, acceptable to people.

Adjustment to the new way of thinking and acting should be pointed out in the analysis of innovative technological changes in the developed world and the necessary innovation for mankind in order to survive on this planet**.** New ways of behaving should be taken into consideration with the assistance of new technology. These actions will not be based on the possibility of immediate touch, sensation, or taste. Without a new way of thinking based on abstractions of the information society, all agents who operate in a newly structured society will be pushed back or to the margins of society.

In already begun process of realising such a society, there is a transfer from the world of technology to the world of an individual, of new interpersonal relationships. In this respect, the adjustment of the government to a new function of ensuring the living and working conditions of its inhabitants is especially significant, where the replacement of the traditional teamwork and its adjustment to simulated teamwork should be the focus of all changes, where an individual and his ability and knowledge are fully appreciated. In this way, completely new working groups are created which are focused on individual problems. The members of these groups act with the assistance of the best computer technology are fully aided by the government and all scientific institutions. In such a working environment, each employee will be linked to the world and all the available world knowledge in the scientific field as well as corporate and manufacturing field via a computer network (Lipnak & Stamps, 1991). Successful work of such a simulated team depends on the actions of another simulated team, and they will all depend on different information networks of the future. In order for them to work in such conditions, completely different knowledge and abilities will be necessary and a special category will be the ability to use the knowledge which depends on other knowledge. In this respect, educational institutions of our time are already faced with the difficult task of the preparation and creation of human resources capable to operate in the new living and working conditions of the new era. In this new operations, all the know-how and skills acquired so far become just a staring point for operating under the new living and working conditions in the new information era and with new information technologies.

4 Changes in the fields of technology and organisation

A new information society cannot be attained by application and development of the old electrical-mechanical technology. It is also necessary to adopt and functionally apply new high technologies and the corresponding structure, organisation, and management.

This new process has slowly started covering almost all fields of national and international economic and social life in the developed countries. Without these extensive changes in the entire society, it is not possible to realise changes in the technological structure of the national and international economy.

The new process should be well-designed, planned and systematic. It is not possible to jump into the new at once, i.e. to replace the existing technical-technological basis with a new one. The process can be successfully achieved by using the existing achievements and connecting them with new innovation. In this process, the selection of the right technology has an important role, as well as the selection of its adoption and application on concrete projects.

In this respect, an important issue is in which way to select new technologies – low, medium, and high technologies. Nowadays, high technologies have been accepted often without thinking and the necessary conditions for their adoption, such as microelectronics, biotic genetics, photonics, etc. However, experts know that high technologies do not occupy more than ten per cent of the total technological structure in the most developed world countries, for example, the USA. At the same time, in practice, there are numerous examples of inclusion of the high technology in some traditional technical-technological systems (Drucker, 1992, 13).

In their reflections on this problem, some authors advocate a thorough analysis of the technological structure of each country by comparing the obtained results with the conditions in other developed countries, also taking into consideration the historical development which has led them to the current state and the conditions under which certain technological changes took place, as well as tendencies which are present in terms of the future technical and technological development.

Following this approach, it is notable that in many economies, especially those of underdeveloped countries, there has not only been a lag behind in the technical-technological structure of the developed countries, but also great differences in the total economy of the aforementioned countries. In particular, one should note developmental differences between agriculture and industry, basic industries and infrastructure, manufacturing of production resources and production, consumption resources, production of raw materials and the processing industry, import and export, production facilities and the degree of their actual use, investment and results; in short, between the hardware and the software, hardware and lifware, and orgware. The existing differences in each country should be eliminated by the processes of adjustment. Based on this conclusion, further analysis in this paper will provide the possible directions and manners of adjustment, including changes in the technical and technological structure of each country, with the objective of a more successful transfer to the future information society.

The first course of action would be the elimination of the existing differences in the economy of each country. All economic anomalies, such as expensive investments and buildings of inadequate use value, should be rejected for reasons of poor possibilities of meeting quality requirements and demand. The second course of action in the field of technology could be marked as a process of modernisation of the technology of selected traditional crafts which has been rejected in the developed countries and the products of which can still be economically justified and successful on the national and international market. Modernisation implies the instalment in a technological system of factors of new preferably high technologies based on electronics, robotics, new materials or use of new energy sources. Such application can be achieved in the ship building industry, agriculture, railway traffic, etc. This also includes the corresponding changes in the characteristics of traditional products and services in accordance with the new needs and demands of the market of the new information society.

The third course of action could be defined as the necessity to give up any new construction in any manufacturing and traffic or other industries on the old technical-technological basis, and rather to build on the new technical-technological basis, which should be based on a new and high level by choosing the technological type and level which corresponds to the given industry. This also implies new manufacturing and service programmes. This orientation implies overcoming, i.e. eliminating two possible obstacles. The first refers to scientific and professional preparation in terms of selection, adjustment and successful application of the new, modern technology, and the corresponding new organisation system and management methods. The other obstacles might appear in the form of socio-psychological resistance to the new and nostalgia for traditional technical-technological systems which used to signify great production and a high employment rate of the labour force and in this sense had a great part in the economic structure.

The fourth course of action which seems justified is close to the third in terms of content because it is oriented towards completely new industries, new programmes, new products and services, new markets, including participation in the parts of a new world product or a project. This implies manufacturing of parts for a world product or a service. This is also the fastest way to reach the developed world. This course of action also includes developing of numerous small and medium-sized enterprises and new craftsmanship, all the way to teleworking and the new, so-called «cottage industry». Realisation of any of these courses of action and concepts depends on financial, i.e. investment capital, whether one's own or foreign, whether in the form of a loan or direct investment, whether independently or as a joint venture of both sources of national and foreign origin. At the same time, it presents the necessity to link several factors such as programmes, productive and interest affiliation in traffic, science and research, educational and marketing activities, a new tax policy, a more flexible individual organisation with the greatest possible independence of complex systems which were created in this way.

Technical-technological changes based on contemporary technological achievements must be present as a necessity, a demand and condition of the inflow of foreign capital, whether independently or as joint venture. Undeveloped countries should not allow acceptance of old technical-technological systems which are ecologically inadequate, nor technology which is becoming outdated.

In the process of introducing new technologies, undeveloped countries should take into account new employment, i.e. demographic aspect of technical-technological restructuring, especially since the birth rate has been high in most of the undeveloped countries. This will cause growth of employment demand in the long run and new, modern technologies drastically reduce the share of human labour in production and traffic.

It is thus necessary to design a strategy of technical-technological development which will include contemporary technological achievements but also take into account their use which will also ensure opening of new «labour fields» by the opening of new workplaces, but also self-employment in one's own business (Deželjin, Zoričić, 1996, 11–16).

Conclusion

With their ideas, individuals have always gathered and stimulated their peers to join them in action. In this way, they created action groups which jointly realised various ideas and tasks. In relation to these historical experiences, these historical basics should be continued in the future. In order to achieve general scientific and social development, scientists should participate in solving the above-mentioned problems in co-operation with domestic entrepreneurs.

The government should particularly act in favour of the creation of positive conditions for acceptance of stimulative programmes and creation of favourable innovation conditions, and adjusting to new circumstances brought about the new upcoming information society. Innovativeness should be encouraged and innovation stimulated from the aspect of sustainable development policy, but also general new needs which emerge in relation to the contemporary economic growth which, on the other hand, realises a higher level of living quality for all the people in a society.

By assisting the development of an innovation movement within a society, the educational needs of innovators should not be forgotten; the people who have to use education and educational abilities throughout their active life in order to act innovatively. In this respect, special attention should be devoted to the creation of national human resources and strengthening the need and desire to acquire knowledge. In the educational process, the necessity to understand the need for changes should be especially important. In this way, the constantly present fear of new technologies will be reduced. This fear is based on ignorance and an unreadiness to accept the new and the unknown as well as being the result of limited cognitive abilities. All of this causes great damage to the national economy and indirectly to the international economy as well and disturbs a positive general economic growth in the world.

General economic growth greatly depends on the development of national economies and maintenance on the market, and this requires increasingly more knowledge and abilities, especially professional knowledge. Business activities require flexibility, speed, creativity and innovation. Only a comprehensive approach to this problem guarantees that integral co-ordination of all potential factors will be achieved which affect human life and actions. Such a relationship helps that costs of activities and mistakes which inevitably occur in any production process decrease substantially and increase productivity and usefulness in general. In this respect, special attention should be devoted to bringing up and teaching positive human values to future generations so these future generations will surely operate and live in a new information society. In raising future generations, special attention should be devoted to the responsibility for national development, responsible behaviour towards their working and living environments. If this is not achieved, it will be impossible to achieve adequate scientific and business tasks which will create a society of conflict, deprived of freedom and progress.

Inteligentni sistemi v mednarodni ekonomiji

Povzetek

Znanstvena, tehnična in informacijsko-komunikacijska revolucija so pomembno vplivale na spremembe moderne ekonomije in njenih sistemov. Inteligentni operacijski sistemi so tako vzpostavili pogoje za nadaljnji razvoj moderne človeške družbe, ki jih narekujejo potrebe po ključnih spremembah predhodnih ravni znanja, sposobnosti, ustvarjalnosti, inovativnosti, motivacije in produktivnosti človeških virov, ki proizvajajo in ustvarjajo nove tehnično-tehnološke razmere. Vse to zahteva še boljše in hitrejše prilagajanje novo ustvarjenim situacijam in spodbujanje ter udejanjanje novih sprememb. To še posebno velja za vodilne podjetniške, menedžerske, strokovne in druge specializirane človeške vire v organizacijah, ki so zadolženi za prisotnost njihovih organizacij na trgu in njihovo doseganje najboljšega možnega ekonomskega učinka. Potreba po nadaljnjih uspešnih aktivnostih ekonomskih in drugih subjektov v novih, ustvarjalnih razmerah mora izkoristiti prednosti inteligentnih sistemov. Vedno večje število podjetij danes že uporablja sodobne tehnologije v njihovih poslovnih operacijah in internetna tehnologija pri tem igra pomembno vlogo.

Ključne besede: inteligentni sistemi, ekonomija, kooperacija, inovacija, človeški viri

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original scientific article

Innovation ecosystem and tourism

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Abstract

The creation of an innovation ecosystem is becoming an important facilitator of sustainable development of any industry or community. In my article I intend to show the constituent elements of an innovation ecosystem within sustainable development models and suggest how this could be applied to tourism. Special emphasis will be placed on participants, tools, principles and types of innovation that can be present in such an ecosystem and I will draw examples from business and social environments. The article will also include recommendations on various courses of action and a list of issues that need to be addressed when the principles of innovation communication are applied to a specific environment.

Key words: innovation, innovation ecosystem, innovation communication, sustainable development, and tourism

1 Innovation ecosystem

An innovation ecosystem is a system made for innovation creation in an open, natural manner. When I say natural I mean that which enables a holistic understanding of needs, solutions and consequences related to innovation processes and innovation itself. It is a framework and environment where ideas can be created, tested, brought to the level of prototype (invention), and then, if accepted by the market, also commercialized or socially integrated (innovation), and last but not least, managed further on though a process of sustainable innovation.

They have been categorized into many different groups such as national innovation (eco) systems, regional innovation (eco)systems, local innovation (eco) systems, technological innovation (eco)systems, corporate and industry innovation (eco)systems (Wikipedia, 2010). They could also be established within a project team or informal groups.

An innovation ecosystem as a concept offers an opportunity for those in need of innovation to approach it in a structured way. Anyone can be innovative as long as there is a genuine interest and consistency in establishing a favorable environment to support it. The concept has been present throughout human history in various forms. However, only at the end of the last century innovation became a focus of the general public, especially the business community. Only then did innovation start to be a recognized as proponent of value creation. In the (business) evolution model it succeeded the prime motivation of productivity and quality as the prime enablers of value creation which became entry factors for business success whereas innovation became the winning one (Bulc, 2006).

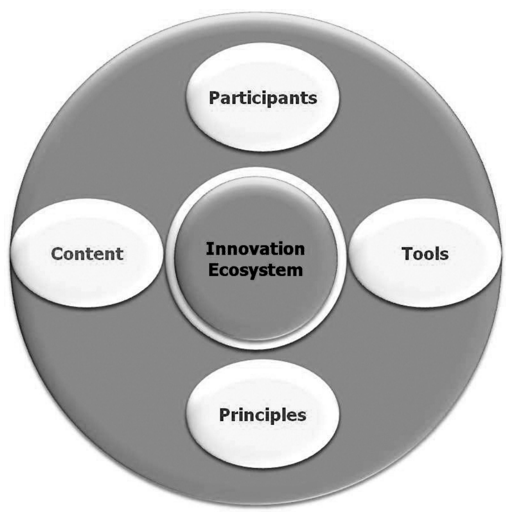
Academic theory has been lagging behind the escalating needs of business and social communities in terms of guidance in the development of innovation ecosystems. According to them, innovation and technology development result from a complex set of relationships among participants within the system, including enterprises, universities and research institutes. However, there is no consensus on the exact definition of an innovation (eco)system and the concept is still emerging. Innovation as the primary subject of such systems is often the result of the interaction among actors, and the term 'innovation ecosystem' is occasionally used to emphasize this (Wikipedia, 2010). So, the primary characteristics of a highly evolved innovation ecosystem is to enable participants to work beyond enterprise boundaries, focus on customer value creation, respond quickly to shifts in market demands, accelerate the transition from research to production and be more flexible and adaptive to change (Bergs, 2005). An innovation (eco)system is an interaction between people, enterprises and institution. An ernhanced definition is that innovation (eco)systems embody technology and information flow between those needed to turn ideas into processes, products or services (Nordfors, 2009).

As we can see, most of the definitions available are derived from experience and practice. This article will try to explore the use of some »practice to theory« tools, especially the ones that I believe are most relevant for tourism.

1.1 The key elements of the innovation ecosystem

The key elements of the innovation ecosystem based on the Vibacom (www.vibacom.si) and InCo (www.incomovement.si) movement practices can be put in 4 major groups: participants, tools, content and principles.

Fig. 1: *Elements of an innovation ecosystem*

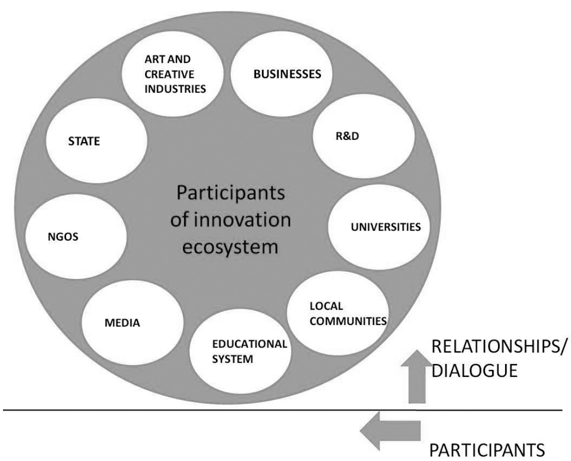


The primary motivation for effective management of those elements is the need to a) focus on customer value creation, b) quick responses in addressing the shifts in market demands, c) acceleration and transition from research to production, on d) turning ideas into benefits for customers in the form of products or services, but continuously, to be more adaptive to change.

1.1.1 Participants

Participants are those people, proponents of innovation ecosystems who bring ideas to the surface, put them in the business or social or political context and manifest them into reality.

Fig. 2: *InCo movement participants*



These ideas do not happen just because we decide so. This is where innovation differentiates itself from productivity and quality as former drivers of value creation. Those early drivers could be exploited by technology and predefined processes and monitoring systems. Innovation is happening within ourselves, within the relationships we have with other people, within our behavior patterns. Therefore, one of the most important imperatives for innovation is the creation of a arena where people can meet, discuss and explore different thoughts, experiences, challenges and possibly failures and thereby encourage each other. Further more, we have learnt that there is a higher level of creativity present when representatives from diverse groups and experiences join in dialogue.

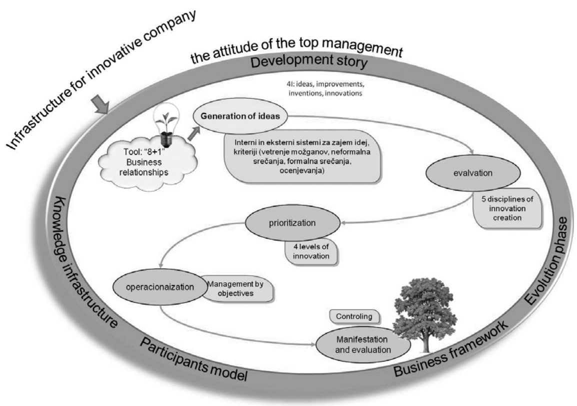
The Innovation Communication movement (InCo) for innovative breakthroughs (Vibacom, 2009), for example, invited to an open dialogue, representatives from many segments of our society to support an open space innovation to explore the process of creation of innovative society on a state level and beyond. A positive experience of an open space environment based on a model of participants is also shared by BTC d.d.. They invited customers, suppliers, students, youth, thinkers and employees into their process of creative thinking and gained access to many new ideas. The results of both cases are very encouraging and show a possible path towards innovative society.

1.1.2 Tools

The recommended tools that are part of innovation infrastructure help us to define an innovation ecosystem. They keep us focused on the key elements that encourage the creative spirit to be active. They also focus our thoughts and actions. At the same time they remind us to stay interconnected with the space around us. The list is not a closed set of tools, on the contrary, it is a dynamic array that needs to be redefined based on the needs and types of issue that we are addressing and also the type of people we are addressing.

However, I would like to argue that there are few that are the necessary ones, especially for maintaining the innovation ecosystem sustainable. The first one is the logical framework that is like an organizational footprint, its unique identity. In order to allow people to serve system development, they need to know what the vision of the system is; long term goals, the state of being that they need to bring the system to. The next is mission, which defines what the qualities are that the system is bringing. Sets of values explain the framework of behavior that the members of the ecosystem need to follow. Sets of core competences explain what is the natural way of doing things for such a system. In fact, each organism has a unique set of fundamental abilities that are the source of creativity and as such, a basic platform for innovation.

Fig. 3: *Tools of innovation infrastructure*



In addition to these core elements of the system framework, it is also recommended to set a clear plan for the goals and key strategies for a specific period, which can then serve as guides and check points on our way to attaining the vision target.

The second one I would like to stress is the innovation process. It consists of 5 major phases: the generation of ideas, the evaluation and prioritisation of ideas, the manifestation of ideas which have the potential of value creation (inventions), the market capitalisation of manifested ideas (innovation), and sustainable development of innovation. The challenge of these phases is that each of them needs a specific set of competences and set of tools in order to support value creation at the end of the cycle.

The third one is technology. We are a civilisation of technological breakthroughs. So, no matter in which industry or branch we exist, we cannot ignore the impact that technological development has on our daily work and life. For example, those who overlooked the importance of mobile communication and internet technologies got themselves into serious trouble (even in tourism). The travel agencies which have poor internet support are losing customers daily. The television and radio shows that do not support their programmes with internet based applications are dying out, and events without electronic registration are seriously challenged.

Amongst all, Innovation Communication seems to be the latest popular, and increasingly essential tool of innovation ecosystems. The importance of communicating points of view, thoughts, solutions, and outcomes and their impact on others on a short or long term view, is an important incentive for the development of innovative consciousness, on the side of the customer, supplier and general public. In this context, media has achieved a special role within the innovation ecosystem as an advocate of change, innovation values and best practices. A proactive, advanced media can really escalate the overall understanding, importance and the impacts that innovation can make to a society. Sweden recognized that first when VINNOVA, the concept of innovation journalism was launched worldwide. (InJo). "Innovation journalism identifies and reports on issues in innovation ecosystems such as emerging concepts, interaction between the principal actors or what is happening in innovation value chains. It can combine angles and indicators on innovation that usually categorise thus: trends in science and technology, intellectual property, finance, standardization, industrial production processes, the marketing of new products or services, business models, politics, cultural trends, and more" (Nordforse, 2009). The Inco movement extended that definition to InCo (Innovation communication). The movement recognized that the need for InJo reporting is present not only in the relationship media-readers, but in all types of relationships where we have a creator of information on innovation and the (potential) audience. In all such relationships there is a need for a new type of dialogue that can enlarge the space of creation. Therefore today, innovation space is expanding, with the help of innovation communication in several new spheres, creating more and more of an open space of common awareness and knowledge (Vibacom, 2009).

Of course, all these tools do not matter much if they are not logically connected and managed well. Currently we are lacking innovative and innovation managers who would create new models, processes, concepts (innovative managers), as well as able to manage innovation ecosystems to the point that each person involved can develop his/her full potential (innovation managers). Who will break the old habits of linear instructions and governance and openly step into a network organizational structures that are dynamic, non-hierarchical and constantly transforming? No business schools train for these types of skills and for such environments. So, we are back to the process « from practice to theory« and conscious individuals that feel the moment.

1.1.3 Content

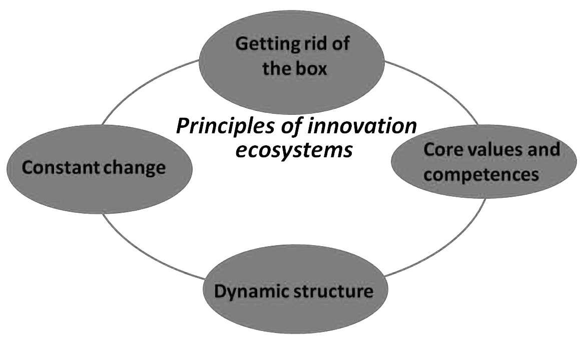
The primary contents of innovation ecosystems, are ideas and transformative forms of the original idea all the way to market manifestation (idea, enhancement, invention, innovation). The biggest challenge of any system, is motivating people to think, to generate ideas, to be actively present. How do we know which ideas are right for our ecosystem? Do they have a potential for value creation? Have they been placed at the right time? Do they create the potential that we need and can manage? Well, it's not an insignificant matter. However, we've got great support form a simple model used by Stanford Research Institute called »5 disciplines of value creation« (Carlson & Wilmot, 2006) that offers a dependable framework for the evaluation of ideas, and also for setting up the right team for it. It is clearly stated that each idea needs to support a customer need, being internal or external by nature. The need we can either recognise or create. The second important clarification comes from capability of value proposition that we are making for the defined needs. If idea generators cannot clearly specify these two propositions, it is advisable not to support them.

Once the need and the value proposition are clear, then we need to talk to idea generator(s) if he/she is willing to become a champion of the created idea. It is risky to assign ideas with potential for innovation to a third party. Ideas that are carried out by the generator have a higher chance of being successfully implemented on the market than ones that are re-assigned to another (Carlson & Wilmot, 2006). In addition, you allow the idea generator to create his or her own team in order to eliminate their own inherent weaknesses and to feel responsible for the team during the project. The fifth discipline talks about the need for innovation ecosystem to provide to the participants a means for sustainable innovation.

1.1.4 Principles

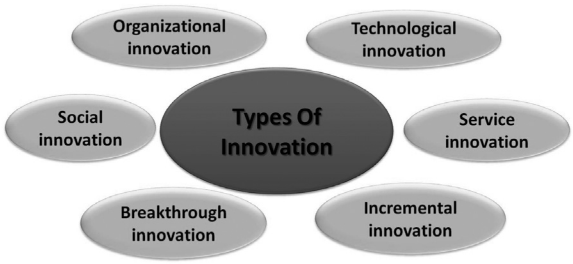
It is also useful when creating an innovation ecosystem to think about some basic principles, which attempt to break through the existing linear concepts and liberate creative process.

Fig. 4: *Principles of innovation ecosystems*



Among these, one I would like to especially emphasise is, – »getting rid of the box«. Exercising innovation as the key energiser for value creation requires from us, not only to step out of the box, but also to get rid of the box entirely. To continuously reflect on life, society, and customer segments in a unique way, based on core values and competences. And if our actions are based on these enablers and well used in innovation process, we create a unique relationship with a market that nobody else can. With products and services we nourish and nurture this relationship further in an evolving and dynamic way. So, we can safely say that we enter a market without competition. We have used this approach well in our consulting practice and have helped many companies to become more successful in a sustainable manner.

Fig. 5: *Types of innovation*



2 Types of innovation

Innovation can appear in different areas and in different formats based on the subject of innovation or how far the innovation reaches into a business practice. Based on the subjects we can talk about, social (stress on new relationships among different participants, new social structures, new political systems, etc.) organizational (aiming at new organizational models, business models, new processes, tools for development of organizational capital: physical, intellectual, emotional, spiritual and social), technological (new materials, new machines, artificial intelligence, new functions of existing products, etc.), and service innovation (new ways of connecting intangible products to be offered to the market). It is important that we explore all types of innovation to see which can create for us the highest value, and where can we capitalize best.

The categorisation based on how far innovation can reach has been made by a management guru by the name of Druker (Drunker, n. d.). He encourages us to think how we can make improvements within the existing systems and processes, re-think the way we do business, connect different participants, industries (cross border thinking) or even create a new greenfield entirely (innovation breakthrough). All these could be an inspiration when we search for our winning product, service, approach or a model for value creation.

3 Innovation ecosystem in tourism

Based on what has been presented about the innovation ecosystem so far, let us now see what it could mean for tourism. Tourism, like any other sector, needs to explore the opportunities of innovation and include it in value creation. It must become highly sensitive to customer perception, values, illusions, dreams, needs and expectations and also remain very alert for political, social and economic vibrations under the impact of the laws of nature and human activities. An important impact has been created by new technologies especially within the areas of the purchasing, information seeking, and decision-making parts of tourism.

We can see that generally, tourist service providers have made the first adjustments. More and more the products offered are targeting specific niche markets. More and more customers are searching for authentic experiences. These can come either in a form of a program itself, well kept local secrets, or both. An interesting dynamic has been presented by the ongoing growth of social groups on the internet that are not only a source of opinions and recommendations but are forming an interesting chain of virtual tourist programs that are pushing the traditional service providers out of the value chain (at least at one segment – adventurist, however, it is just a matter of time until it gets spread to others, as well). At the same time a new opportunity has been created for new types of employment (like seekers of the best air ticket deals) that will emerge more in a form of advisers, information collectors and information organizers.

There are still a lot of additional opportunities. One of them is in the communication of innovation in tourism. The innovation communication principles offer a solid framework that can be used as a support in creating a story for the public. In articles on innovation it is important that the author tells what is innovative about the particular subject, what kind of impact this subject has on the industry (tourism), what kind of impact it has on other industries, what is the future impact of this innovation and who are the participants involved in developing this innovation. When communicating innovation to a customer two very important elements need to be emphasised: ie. which needs the innovation is addressing and what is the value proposition for the customer.

Next, is also in cross-border thinking. Connecting tourism better horizontally, placing it as part of a larger innovation ecosystem, following an old Buddhist saying: "the more we are connected, then the more we are free". W should be able to integrate tourism as part of our daily life, not as an exception. Along the same lines, with observing social behavior and life values, tourism has a great opportunity to create a new breakthroughs in type of services and products that are better integrated in our daily lives. An important support in reaching this goal could be found in modern technology.

And finally, a more professional approach to innovation within the industry. To use business skeleton more often, segmentation of customers, consultation with employees and other participants of innovation ecosystem to find solutions in different categories of innovation, constantly re-defining the processes, boundaries and common perceptions.

4 Conclusions

Understanding innovation ecosystems, their successful management and development, in a sustainable manner will be the key elements of success in tourism, as well. It is up to the people involved how proactive and advanced their thoughts and visions will be. Will tourism continue to emerge as an independent industry, or will it merge with one of the future new sectors or industries that the global innovation ecosystem will provide? One thing is certain, innovation is changing not old business practice, but social behaviour also, and as such offers a new paradigm for human evolution. How will the tourism respond to that?

Inovacijski ekosistem in turizem

Povzetek

Vzpostavljanje inovacijskih ekosistemov postaja pomemben vzvod trajnostnega razvoja tako v različnih industrijskih panogah kot tudi skupnostih. V mojem prispevku nameravam opozoriti na bazične elemente inovacijskih ekosistemov in njihovo vpenjanje v modele trajnostnega razvoja ter nakazati povezavo le-teh s turizmom. Poseben poudarek je namenjen deležnikom, orodjem, principom in vrstam inovacij, ki se pojavljajo v inovacijskih ekosistemih. Pri tem so nakazane smeri razvoja podkrepljene s primeri iz poslovnega in družbenega okolja. Prispevek vključuje tudi priporočila za razvoj inovacijskih ekosistemov in za obvladovanje izzivov, na katere pogosto naletimo pri njihovem razvoju, še posebno na področju inovacijskega komuniciranja in v povezavi z značilnostmi okolja.

Ključne besede: inovacije, inovacijski ekosistemi, inovacijsko komuniciranje, trajnostni razvoj, turizem

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original scientific article

The effect of the economic crisis on tourist behaviour

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Abstract

In 2008, the world was struck by the largest economic crisis since the Great Depression of the 1930s. The collapse of several branches of industry, growing rates of unemployment and uncertainty also affected the flow of tourism. While for some tourist destinations, the decrease of the tourist arrival numbers was almost fatal, others did not suffer any substantial losses. The reason lies in the different income elasticity of demand in various tourist segments and in the very complex dynamics of the flow of tourism. Since a part of the demand side only exchanged destinations traditionally visited with the nearer and/or cheaper ones, a partial loss of one segment in these destinations was replaced by visitors usually visiting more distant destinations. The results of a survey carried out on a sample of (potential) Slovenian tourists are presented in the article. Reactions to the ongoing crisis were measured and compared for different segments of interviewees. Understanding their decision-making patterns can help the tourism industry and the destination management organizations in developing tourism products that are less sensitive to changes affecting income.

Key words: tourism, consumer behaviour, economic crisis, income elasticity

1 Introduction

It has already become clear that the financial and economic crisis will have a serious and long-lasting negative impact on the tourism industry (Okumus et al., 2003). Investigations into the impact of crises on the tourism industry were quite rare and partial in their analyses in the past (Smeral, 2009). Certainly, one important reason for this is that none of the previous crises was global with such an all-encompassing impact. The tourism industry is therefore in urgent need of information and knowledge to help with decision making and devising strategies to effectively respond to the current situation (Papatheodorou, Rossello & Xiao, 2010).

The present crisis was triggered in the U.S in 2007 by the crisis in the real estate sector and later with the international credit crunch and it struck the euro zone in the second half of 2008. Eastern Central Europe followed the downhill slide at the start of 2009 (Gulcin Ozkan & Filiz Unsal, 2010). After a good start, with worldwide growth in international arrivals averaging nearly 6% in the first six months of 2008, demand fell sharply – by 1% between July and December 2008. This trend has intensified in 2009 when international tourist arrivals fell by estimated 8-9% during the first six months of the year. All regions (except Africa) recorded a decline in arrivals; Europe and the Middle East have been particularly affected (UNWTO, 2010). Real travel & tourism economy GDP growth for the world as a whole is expected to be just 0.5% in the year 2010, before accelerating to 3.2% in 2011 due to high unemployment and cut backs on the holiday expenditure of households and curtailed corporate budgets for travel. Tourism earnings are expected to suffer more than arrivals as consumers tend to choose nearer destinations and for shorter periods of time. All around the globe, small and medium enterprises, which make up the bulk of the tourism sector, face increasing difficulties as demand declines and access to credit becomes harder (UNWTO, 2010).

According to the International Monetary Fund (2010), Slovenia's economy has been hit hard by the global crisis. The Slovenian economy shrunk by 7.8 percent in 2009 and this was the largest fall in the euro area. As a response to the global crisis, authorities adopted a number of stimulus measures in 2009. The economy is expected to recover slowly but uncertainty still persists (IMF, 2010). Thus, the forecasts of the growth for the travel & tourism economy at the average rate 4.4% per annum over the coming 10 years, made by the World Travel and Tourism Council (Cockerell, 2010) are uncertain.

A financial crisis affects consumer behaviour due to the growing threat of unemployment, loss of income, uncertainties in assessing values of assets and savings etc. If the crisis is a short-term one, people usually finance their travel from their savings. If the crisis lasts for a longer period of time, they tend to cut down their holiday expenditures by adapting the duration and type of holidays or even the destination. However, if things go really bad, they simply make it without a holiday trip (Smeral, 2009). Morley (1998) explains this phenomenon by using discrete choice theory and the threshold income above which a specific destination is chosen over the option to stay at home. Interestingly, notable differences in holiday-taking behaviour in times of crises were found between nationalities (Ryan, 2003). But despite the ampleness of tourist decision making research no single unifying theory has emerged so far that would explain tourism decisions in all situations.

The aim of this present study was to get an insight into (potential) tourist decisions in times of financial and economic crisis. The large majority of previous research on impact of crises on tourism demand was based on time-series macroeconomic secondary/statistical data (Garin-Munoz, 2009; Song & Witt, 2000). This kind of research can provide only an indirect understanding of tourists' decisions/behaviour in times of economic crisis. Furthermore, it cancels out the diversity and heterogeneity of consumer behaviour (Alegre & Pou, 2004). Our research was, however, founded on primary data acquired by the survey on a sample of potential Slovenian tourists. They were asked about their reactions to the present changes in the economic situation in Slovenia and whether their travel behaviour would change their income dropped.

This paper is organized as follows. In the next sections we describe the theoretical basis for tourism behaviour and income elasticity of tourism demand. These are followed by the presentation of the study carried out in Slovenia, interpretation of results, discussion and conclusion.

2 Tourists' consuming behaviour

Tourists' consuming behaviour seems to be a constant decision-making process. It is a very complex concept, full of interrelated factors. Numerous models have been suggested for an easier understanding of the buying decision process (Sirakaya & Woodside, 2005). These simplified versions of relationships of the various factors influencing consumer behaviour patterns give us an insight into which determinants influence tourism flows. Besides personal traits, e.g. lifestyle, personal motivators, attitudes, existing knowledge and experience etc., also disposable income, work and family commitments, political restrictions and other hindrances make up the "customer decision-making framework" (Swarbrooke & Horner, 1999).

Tribe (2008) approaches tourists' consuming behaviour through maximization of the satisfaction function. By choices about how much time to spend on holidays and where to go, choosing between different sets of goods and services bought in the destination tourists try to maximize their satisfaction considering time and money constraints. Of course, tourists have different needs, incomes, tastes, lifestyles etc. and can therefore achieve satisfaction in numerous different ways. If factors affecting their behaviour change the holidays choices will probably change, too. In some cases this change implies choosing a different destination or even giving up holidays all together. These decisions are the turning point that affects tourism demand in destinations. Thus, understanding how potential tourists react to changes is of crucial importance for the success of tourism destinations.

No theoretical consensus on tourism demand has been reached so far. There is, however, a set of predictive variables, such as prices, prices of substitute destinations, level of income, advertising expenditure and consumer tastes which are almost indispensably included in all tourism demand models (Song & Witt, 2000). Income is generally included in the tourism demand functions as a key explanatory variable (Crouch, 1996). In times of crises when the level of disposable income for tourism activities decreases, a drop in tourism demand is usually expected. However, that is not necessarily true for all destinations as tourist flow dynamics are very complex. In times of crisis, a part of the demand side exchanges destinations traditionally visited with the nearer and/or cheaper ones. Thus, a partial loss of one segment in these destinations is replaced by visitors usually visiting more distant destinations. Income elasticity of demand can be used for a better comprehension of this dynamics.

In Table 1, information on tourism travel of domestic population in Slovenia is presented. Data in the year before the crisis and data for 2009 are compared. It can be noticed that the share of private trips made abroad and the average length of trip have decreased in 2009, which is in line with the theory (Smeral, 2010).

Table 1: *Tourism travel of domestic population*

	2007	2009
percentage of the resident population aged 15 or more who went on tourist, private or business trips	63.6	59
percentage of private trips made in Slovenia	44.7	51
percentage of private trips made abroad	55.3	49
length of average private trip (nights)	4.7	4.5
length of average private trip in Slovenia	3.1	2.9
length of average private trip abroad	6.1	6.1

Source: SURS, 2010b

3 Income elasticity of demand

Tourism demand elasticity is a measure indicating how percentage change in the explanatory variable (usually income or price) produces a certain percentage change in tourism demand and can be measured in different units including expenditure, arrivals and overnights. While price elasticity implicitly shows the necessity of goods, number of substitutes, price-usefulness ratio, time flexibility of purchase and consumers' awareness, income elasticity enables us to determine whether goods or a tourism destination is normal/superior or inferior. In the latter case, income elasticity demand is negative, showing that consumers tend to replace the goods/destination if their income increases (Tribe, 2008). In the past, estimated income elasticity was typically above unit suggesting tourism travel is a luxury product (Crouch, 1996).

Although demand elasticity models suffer from some deficiencies (e.g. elasticity can vary considerably over time, the structure of the model significantly affects estimates etc.), they remain one of the most popular forecasting tools in international tourism (Crouch, 1996; Frechtling, 2001; Wang, 2009). It has to be noted, however, that practically all econometric estimates of income elasticities of tourism demand were obtained in periods of sustainable economic growth, and may therefore not be suitable for the explanation of the demand function and forecasts in times of crises. Smeral (2009) claims that the decrease in tourism demand caused by diminished income during the contractive phases is due to uncertainty about the future steeper than the increase in the demand caused by the rise in income in times of prosperity. On the other hand, Ryan (2003) argues that people are very reluctant to forgo their annual holidays and that income demand elasticity is lower in periods of recession than in times of economic growth. The reason might be sought in changes of social values – tourism has namely lost its luxury character and it is rather regarded as a necessity nowadays (Mieczkowski & Crouch, 1996). Demand for long haul holidays is likely to be more income elastic than demand for closer destinations (Couch, 1996), and income elasticity of tourism demand is supposed to be lower for people with a higher education and income (Alegre & Pou, 2004). On the other hand, Morley (1998) claims that income elasticity tends to be lower for people with low and high incomes, while it is relatively high for those with middle range incomes. Finally, he draws the conclusion that income elasticities change considerably over time due to changes in incomes, prices, and fares.

4 Methodology

In order to check how the present crisis affected the decisions about where to spend one's main holidays, 500 randomly chosen potential tourists throughout Slovenia were personally asked to complete a structured questionnaire. The survey was carried out by students of the Faculty of Tourism Studies – Turistica in the period from March to June 2010. Excel was used for the analysis of the results. Beside the usual socio-demographic data, interviewees were asked to answer the following questions:

- Where did you usually spend your main holidays in the past?
- Have you been personally affected by the crisis?
- How has the crisis changed your travel behaviour?
- How would your travel behaviour change if your present income decreased by 10%? (Considering the depth of the present crisis such a drop in income was estimated to be realistic.)

Our research questions were:

- To what extent has the crisis influenced the travel behaviour of potential Slovene tourists?
- What are the reactions to the current crisis?
- Are there any significant differences between tourist segments?
- What is income elasticity of demand in times of crisis?

The research was limited to holiday travel behaviour which represents the main motivation for tourism travel (SURS, 2010a).

5 Results

After the preliminary analysis of the results, 30 faulty questionnaires were excluded from further analysis. In Table 2, the structure of travel habits before the crises is presented. The majority – more than half interviewees (55.53%) – stated that they spent their holidays in neighbouring countries (mostly Croatia) before the crisis.

470 interviewees answered the question regarding the impact of the crisis on their personal lives. In Table 3, it is shown that approximately 60% of interviewees were at least indirectly personally affected by the crisis while 40% were not. Only 6.17% of interviewees claimed that they were strongly affected by the crisis.

In Table 4, changes in travel behaviour due to the crisis are shown for all interviewees and separately for those affected by the crisis. Interestingly, more than a half of all interviewees stated that the crisis has an impact on their travel behaviour. For the sub-group affected by the crisis, the share is as high as two thirds. A significant portion (23.55%) of all interviewees stated that they would go to the same destination but for a shorter time; a good 15% would take several short holidays; 7.56% would go to a destination less remote; and 5.52% would forgo their holidays. For the sub-group affected by the crisis, almost 10% of interviewees chose the last option.

In Table 5, answers to the hypothetical question "How would your travel habits change if your present income decreased by 10%?" are shown. Only 36.69% of interviewees who were personally affected by the crisis would not change their travel habits, while this percentage is 69.38% for those not affected by the crisis. In the majority of cases interviewees would only shorten the duration of their holidays (37.28% and 16.25% respectively).

Table 2: *Where did you usually go on holidays in the past?*

N=467	%
We spent our holidays in neighbouring countries	55.53
We spent our holidays in Slovenia	15.53
We went to "Europe or Mediterranean countries"	14.04
We went on several shorter holidays	5.96
We went to another continent	4.26
We stayed at home	2.98
Other	1.06

Table 3: *Are you personally affected by the crisis?*

N=470	%
No	31.70
Partly / indirectly	30
Yes, but not significantly	29.79
Yes, heavily	6.17
Conditions are even better now	2.34

Table 4: *How did the crisis changed your travel habits?*

	All Interviewees N=344	Interviewees affected by the crisis* N=169
Our travel habits didn't change	46.22%	33.14%
We will go to the same destination, but for less time	23.55%	28.40%
We will take several shorter holidays	15.12%	15.98%
We will go to a less remote destination	7.56%	7.10%
We will not go on holiday	5.52%	9.47%
Other	2.03%	1.78%

**Third and fourth group from Table 3*

Table 5: How would your travel habits change if your present income decreased by 10%?

N=329	Interviewees, affected by the crisis* N=169	Interviewees, not affected by the crisis or are now even better** N=160
Our travel habits wouldn't change	36.69%	69.38%
We would go to the same destination, but for less time	37.28%	16.25%
We would take several shorter holidays	13.02%	7.5%
We would go to a less remote destination	4.14%	3.13%
We would not go on holiday	8.86%	3.13%

**Third and fourth group from Table 3, **First and last group from Table 3*

Table 6: *Income elasticity – assuming the decrease of present income by 10%*

	All Interviewees N=453	Interviewees, affected by the crisis* N=169	Interviewees, not affected by the crisis** N=160
Income elasticity	2.0	2.6	1.4

**Third and fourth group from Table 3, **First and last group from Table 3*

Based on the answers from Table 5, income elasticity of demand was calculated for the whole sample and for the two segments (being affected by crisis or not) separately. Those interviewees who would not go on holiday or who would change the usual destination for a different one were taken into consideration for the "change of demand" quantity. The income elasticity coefficient for the whole sample is 2, there are however, as expected, substantial differences between the two sub-groups.

6 Discussion

In this study, carried out in Slovenia in 2010, we tried to get an insight into the potential tourist decisions in times of financial and economic crises. Furthermore, differences in changes in tourism behaviour were compared between the two segments of tourists – those who were personally affected by the crisis and those who were not. Finally, income elasticity of demand coefficient was calculated for a hypothetical scenario of general 10% decrease of income.

The results show that approximately 60% of interviewees were at least indirectly personally affected by the crisis while 40% were not. More than a half of all interviewees stated that the crisis will somehow change their tourism behaviour. One fourth of the sample will go to the same destination, but for shorter time, 15% will take several short holidays instead of one main holiday, while 7.56% and 5.52%, respectively, will travel to a less remote destination or even forgo their holidays altogether. As expected, changes are more intense for the segment affected by the crisis – especially regarding the last option.

The differences in impact of the crises on the tourism behaviour of the two segments were confirmed by the hypothetical scenario of general 10% fall of income, too. A considerable difference between the income elasticity of demand of two groups was also identified. Both coefficients were, however, positive and more than the unit, showing Slovene tourists are generally very sensitive to income changes. At the same time they show relatively low loyalty to a tourism destination.

The main contribution of the paper is that the influence of the crisis on tourism behaviour was measured by the primary research data. This type of research also allowed for the hypothetical scenario approach and the comparisons between the segments.

The suggestions for DMO's and tourism industry deriving from the results would be the following. They should concentrate their marketing efforts on closer markets, those which are relatively easily to reach by car or by other low cost means of transportation. A higher flexibility of tourism supply is needed in times of crisis as people are not willing or capable of making advance reservations and payments due to financial insecurity. New package products which offer shorter duration and/or lower prices should be prepared. If the tourism industry adapts suitably to new circumstances, the economic crisis can in fact represent an opportunity to "steal" a part of the demand to competitive destinations.

Finally, it would certainly be interesting to repeat this study in times of prosperity and compare the results. Such a comparison could make a considerable contribution to the body of knowledge in the field of tourists' consuming behaviour.

Vpliv gospodarske krize na odločitve turistov

Povzetek

Leta 2008 je svet prizadela največja ekonomska kriza po tisti iz 30. let prejšnjega stoletja. Velike težave nekaterih gospodarskih panog in rastoča stopnja brezposelnosti so vplivale seveda tudi na turistične tokove. Medtem ko je bil padec prometa za nekatere turistične kraje skorajda usoden, druge niso utrpele znatne škode. Razlog za te razlike je iskati v različni dohodkovni elastičnosti povpraševanja pri različnih segmentih turistov in kompleksni dinamiki turističnih tokov. Ker se je del povpraševanja zaradi krize odločil obiskati manj oddaljene ali cenejše turistične kraje, kot je prvotno načrtoval, je padec povpraševanja v enem turističnem kraju pomenil povečanje povpraševanja v drugem. V članku so predstavljeni rezultati raziskave, ki je bila izvedena na vzorcu slovenskih (potencialnih) turistov. V raziskavi smo merili in nato primerjali segmente glede na to, kakšne so njihove reakcije na krizo. Razumevanje vzorcev turističnega potrošniškega obnašanja je lahko v veliko pomoč turističnim podjetjem in organizacijam destinacijskega menedžmenta, saj jim omogoča oblikovanje proizvodov, ki so manj občutljivi za nihanje dohodka.

Ključne besede: turizem, potrošnikove odločitve, gospodarska kriza, dohodkovna elastičnost

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original scientific article

Marketing information systems in tourism companies

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Abstract

This paper presents a survey of the characteristics of marketing information systems (MkIS) and marketing information usage within Slovenian tourism companies. In order to investigate the overall status of MkIS, a questionnaire based on theoretical background and previous research was created. The study focused on marketing information management investigation – gathering, processing, distribution, usage and storage of information. Furthermore, it examined whether the information systems have been used by marketing departments and if the MkIS has been used for decision making. Finally, the level of satisfaction with MkIS was evaluated. The results of the survey's descriptive analysis were compared to those of preliminary studies on MkISs. In conclusion, the limitations of the study are presented and directions for future research are proposed.

Key words: marketing, marketing information, information systems, tourism, Slovenia

1 Introduction

Due to new business opportunities brought on by globalization, competition increases and grows stronger every day. Therefore it is necessary for companies to manage information within information process which guide managers on how to adopt the best business solutions. With the expansion of modern information and communication technologies, they have the possibility to obtain huge amounts of information. In fact, nowadays information users face an overflow of information (Kotler, Bowen & Makens, 1998), hence it is essential for the companies to design a MkIS.

In the service industry, including tourism (which is the biggest provider of jobs in the world today) (Buhalis & Law, 2008), companies must quickly and effectively react to almost daily changes. As a result of global mergers, a need for substantively more widespread information has appeared. Moreover, development of communication networks has enabled consumers to access a wide range of information and even to buy tourism products directly online. Thus tourism companies must be aware of their demands and must respond to consumers' wishes in time.

The establishment and the organization of MkIS in companies have been researched considerably. The first definition was made by Cox and Good (1967), followed by Meyer-Hausen (1973), Meffert (1975), Boone and Kurtz (1980), Marušič (1982), Kotler (1997) (Iršič & Radonjić, 2006) etc. A substantial contribution was made during the 1990's (Higgins, McIntyre & Raine, 1991; Sääksjärvi & Talvinen, 1993; Amaravadi, Samaddar & Dutta, 1995 etc.) and 2000's (Kotler, 2004; Holloway, 2004; Panigyrakis & Chatzipanagiotou, 2006; Li & Li, 2010 etc.), but only in the last decade scientists have started to emphasize the importance of computerized MkISs (Li, Chen & Roan, 2001; Wood, 2001; Gounaris, Panigyrakis & Chatzipanagiotou, 2007; Alford & Clarke, 2009).

In Slovenia, the literature dealing with marketing research and information systems is mostly generalized to all economic sectors (Srića, Treven & Pavlić, 1995; Talib, 1999; Iršič & Radonjič, 2006; Bunc, 2007 etc.). Still, scientific papers can be found dealing with information systems within small and medium-sized enterprises (SMEs) (Srabotič, 2002), MkIS in interorganizational marketing (Goršek, 2002; Planinc, 2005), the banking industry (Koren, 1999; Žabkar-Goja, 2005), franchising (Juvan, 2003) and relationship marketing (Gajšt, 2002).

There is a considerable amount of foreign literature on MkISs in tourism (Kotler, Bowen & Makens, 1998; Wöber, 2002; Holloway, 2004; Bowie & Buttle, 2004; Kotler, 2004; Huh, Kim & Law, 2009 etc.), while Slovenian literature and studies are scarce (Bunc, 1986, Peterka, 1996; Rajkovič in Florjančič et al., 1997; Brezovec, 2000; Macedoni, 2006; Brezovec & Nemec Rudež, 2009). Hence, the aim of the empirical study was to explore the MkISs within Slovenian tourism companies and to design a model of MkIS suitable for tourism companies.

2 Literature review

2.1 Marketing information system

MkIS is a system used for storing, analysing and collating information in order to support marketing decision-making (Wood, 2001, 284). Numerous definitions of MkIS which have been suggested over the years (e.g. Brezovec, 2000; Kotler, 2004; Harmon, 2004; Bunc, 2007; Chatzipanagiotou, Vassiliopoulou in Siomkos, 2008) confirm its importance not only within marketing department but for the entire organization and its business environment. Likewise all information systems, MkISs consist of input, data processing, output (Talib, 1999; Gradišar and Resinovič, 2000; Li, Chen & Roan, 2001), feedback and control of system performance (O'Brien, 2005).

Talvinen (1995, 10) classified marketing related information systems into two groups according to the organizational position of the users and type of use: management and operational MkISs. The former are used by senior executives and marketing managers to obtain the information for decision-making, while the latter serve to help sales and marketing personnel in marketing operational activities. The previous studies on MkISs revealed the existence of such systems although they differ in structure according to users' needs (Wood, 2001).

Changes in the market has forced organizations to adopt modern technologies and today it is clear that without computerized information system support they cannot be competitive (Trigo et al., 2007). In recent years, business intelligence has been developed as an upgrade of information systems. However, a survey of 131 companies in Taiwan by Li, Chen and Roan (2001) revealed that the most popular hardware to assist the MkISs are personal computers. This is due to the fact that their prices have dropped significantly in recent years making them affordable for a wide range of consumers. Unlike in U.S. companies which according to the 1995 survey (Li, 1995) used expensive programming languages, a great proportion of Taiwanese companies used word processors and presentation software because it is much more affordable.

As regards information systems and MkISs in tourism, the most commonly used are customer relationship management systems (CRM). Recently, these have become supported by geographic information systems (GIS), which have enabled exploration of tourists' behaviour and their movement within a destination (Lau & McKercher, 2006; Coombes, Jones & Sutherland, 2009). The first information systems in tourism industry were computer reservation systems (CRS) and global distribution systems (GDS), adopted in 1970s and 1980s respectively (Buhalis & Law, 2008; Middleton et al., 2009). They were used for information gathering and transactions monitoring the travel and airline industry. Similar to these are hotel reservation systems (HIS) which are only used in the accomodation industry (Rajkovič, Florjančič et al., 1997). In the last decade, much attention has been paid to destination marketing information systems (DMIS) (Paulo, 2000; Ritchie & Ritchie, 2002; Wöber, 2002; Gretzel & Fesenmaier, 2004). In Slovenia, the national tourism organization developed an Integral Tourist Information System which integrates information and services from various sources and thus provides domestic and foreign business partners with the necessary information.

A great number of researchers focused on the performance of MkISs (DeLone & McLean, 2003; Iivari, 2005; Kuzic & Giannatos, 2006; Chatzipanagiotou, Vassiliopoulou & Siomkos, 2008; Yen, Li & Niehoff, 2008). One of the most frequently used models for evaluating information systems success is the DeLone-McLean model (DeLone & McLean, 2003) which consists of six interrelated dimensions: system quality, information quality, service quality, intention to use/use, user satisfaction and net benefits. Subsequently, Panigyrakis and Chatzipanagiotou (2006) measured MkIS effectiveness in five star Greek hotels using five dimensions: system quality, information quality, support quality, compatibility and flexibility of MkIS. However, according to scientists it is of utmost importance that organizations monitor MkIS efficiency and effectiveness.

2.2 Marketing information management

Many scientists claimed that information quality - availability, accuracy, timeliness, completeness, conciseness, relevance, intelligibility and objectivity (Gradišar & Resinovič, 2000), is a key to successful MkIS (Panigyrakis & Chatzipanagiotou, 2006). In other words, marketing information represents a vital component of each MkIS, hence it is crucial for companies to manage marketing information.

Marketing information management is composed of gathering, processing, distribution, usage and storage of information (Juvan, 2003). The information needed by marketing departments can be collected from internal records, marketing intelligence and marketing research (Sfiligoj, 1999; Kotler, 2004; Devetak, 2007; Vukovič & Završnik, 2008). The review of the study done by Wood (2001) demonstrated that SMEs tourism companies of the Yorkshire in Humber region (United Kingdom) mostly gather internal information. However, the research showed that larger and more dynamic organizations gather more external information. According to Wood (2001), managers need external information for the long-term planning. She stressed that the Internet is a very important source of market intelligence, that is the information about the companies' business environment and the market (Kotler, 2004, Le Bon & Merunka, 2006).

Some authors dealt with the question of information formality (Ashill & Wright, 1998; Wood, 2001; Iršič & Radonjič, 2006). As stated by Ashill and Wright (1998) formal reports and market research information are often not concise enough to satisfy all the information needs of managers. Moreover, the study of SMEs tourism companies in the U.K. demonstrated (Wood, 2001, 294) that information users rely more on personal contacts, individual experience and knowledge "rather than hard facts and quantitative data". Therefore, informal information sources appear to be as important as formal information sources.

Bowie in Buttle (2004) note that tourism companies carry out marketing research to obtain the information about customers, competitors and the micro and macro environment. Dwyer et al. (2009) classify the macro environment according to STEEP classification into political, economic, social, technical and environmental factors. Previous studies showed that MkISs users utilize information about existing and potential customers, local, national and international competitors, local, national and international economy (Wood, 2001) and governments (Li, Chen & Roan, 2001).

2.3 Support for marketing management

With development of information technologies computerized decision models have emerged (Li, 1995; Koren, 1999; Bunc, 2007) which aid managers in making the most appropriate business and marketing decisions. The models are based on mathematical models which, according to the user's needs, simulate the desired scenario and propose the optimal solution (Grošelj, 1999).

Apart from computer-assisted decisions models, marketing managers use MkIS for making decisions on marketing management activities and marketing-mix ingredients (Li, Chen & Roan, 2001). The study demonstrated that managers in Taiwanese companies use MkIS mostly for planning activities followed by controlling, directing, organizing and staffing (Li, Chen & Roan, 2001).

The majority of Taiwanese managers used MkIS for pricing decisions followed by product decisions, promotion decisions and place/distribution decisions. With regards to marketing-mix decisions, the survey included only four elements of marketing-mix, since the largest proportion of subjects in the population belonged to the manufacturing sector. In the service industry on the other hand, three additional ingredients were developed: people, processes and physical evidence (Brezovec, 2000; Kotler, 2004; Macedoni, 2006; Konečnik, 2007).

3 Research methodology

3.1 The survey population

The subjects of this survey were marketing and top managers of tourism companies in Slovenia. Due to the previous studies (Gounaris, Panigyrakis & Chatzipanagiotou, 2007; Chatzipanagiotou, Vassiliopoulou & Siomkos, 2008) smaller organizations rarely used MkIS and mainly at the operational level, therefore the survey included larger companies only.

The survey sample covered tourism companies registered according to the Standard Classification of Activities (SKD). In the next step, four main subgroups of tourism industry were formed, namely transport companies, hospitality and catering companies, tour operators and travel agencies and casinos and other entertainment companies. Due to a poor response rate of the last two subgroups, the comparison between individual subgroups was not possible. The companies were selected from the Database Business Register of the Chamber of Commerce and Industry of Slovenia and from B-2-B Database of the Kompass System.

3.2 The survey instrument

The methodology involved a questionnaire divided into two general and two specific sections of questions. The general section measured the demographic characteristics of companies and respondents while the specific section contained five-point Likert scale questions to measure Mkis and marketing information characteristics and MkIS performance. The questionnaire was designed on the basis of previous surveys on MkISs (Li, Chen & Roan, 2001; Wood, 2001; Panigyrakis & Chatzipanagiotou, 2006).

In order to get better results, the instrument was pilot tested. For this purpose, two marketing managers of large tourism companies were interviewed. The questionnaire was primarily sent by electronic mail. Since only three of them were returned completed, they were used as a second pilot study. In addition to that, a new questionnaire was designed and sent to 48 companies via traditional mail. The study was held in November and December 2009. At last, 33 questionnaires were administrated and the data collection process was concluded. Of these, one questionnaire was invalid, giving the final response rate of 66.7%. The collated data was analysed using Microsoft Excel and SPSS 18.0 software.

4 Analysis and survey findings

4.1 MkIS characteristics

Most of the companies (87.5%) have a written marketing plan and a computer-assisted business (84.4%). Moreover, 87.5% of the companies exploit their information resources in the marketing planning. This is comparable to the Taiwanese companies (72.3%) (Li, Chen & Roan, 2001), which means that companies from both countries recognise the importance of the information resources. With regards to MkIS usage, 68.8% companies claim that they effectively use MkIS, while in 65.6% of them MkISs are computer-assisted. In contrast, in Taiwan 87.8% of the companies used the computer-assisted MkISs. The frequency of MkIS use revealed, that 35% of Slovenian tourism companies use them once or even several times a day, 31% use them several times a week, the same proportion of companies use them several times a month and finally, only 3% of companies use them once a month.

The majority of tourism companies use personal computers (93.8%) and general end-user software (84.4%) to assist their MkISs, while less than half of respondents confirmed that they also used other hardware (43.8%) and software (46.9%). In Taiwan, on the other hand, 52% of companies used personal computers, but it is important to stress that since 2001, when the survey was taken, dramatic changes in information technologies usage in companies have occurred.

4.2 Marketing information characteristics

The results of survey analysis demonstrated that companies often but not regularly collect (87.6%), process (68.8%) and disseminate (46.9%) information. This is somewhat concerning, since nowadays rapid and constant flow of updated information is needed by managers. In Slovenian tourism companies, information is usually collected by marketing managers (81.3%), followed by other employees and top management with 46.9% and 25% respectively. A slight difference can be noticed in the usage of marketing information between the two countries. In Slovenian companies the information is utilized mostly by marketing managers (84.4%), followed by top managers (75.0%) and other employees (34.4%). In Taiwanese companies, however, the most frequent users of information were top managers (62%), while middle managers (25%) and low level managers (13%) rarely use it.

Today, more and more information is stored in computer databases and data warehouses. As a result to that, database management systems were developed. In Slovenia 78.2% of the companies use computer databases to store the information, whereas in 62.5% of companies the information is saved in hard copy. This is similar to the study of Li, Chen and Roan (2001), where 80% of Taiwanese companies stored the information in computer databases.

As for types of information, a high proportion of Slovenian companies (90.7%) gathers quantitative information (e.g. balance sheets, financial reports, etc.), whereas 65.7% of companies gathers qualitative information (e.g. qualitative reports, business press, etc.). The results of the survey show that the companies collect information mainly from internal resources (81.2%) and much less from the external ones (53.1%). This was contrary to our expectation, since larger tourism enterprises are seldom limited to a local business environment. One of the possible reasons could be the fact that respondents regarded external resources as international information resources. Nevertheless, the results of this study were consistent with the perception of managers in the Yorkshire and Humber region (Wood, 2001).

In terms of information formality, there was a significant difference between British and Slovenian companies. As previously reported, tourism companies in the Yorkshire and Humber region (Wood, 2001) used more informal than formal sources for information gathering. In contrast to that, in Slovenia tourism companies often collect the information from formal resources (71.9%), while only 25% of the companies collect them from semi-formal and 12.5% from informal resources.

Tourism companies in Slovenia collect information mostly about local competitors (78.1%), potential (78.1%) and existing customers (75.0%), whereas the information about national economy (65.7%) and competitors (62.5%), local economy (56.3%), international competitors (56.2%), governments (53.1%) and international economy (40.6%) collect less regularly. This is partly consistent with the previous studies. To be precise, Taiwanese companies mainly reported gathering information about customers (88.5%) and competitors (81.7%). Furthermore, tourism companies in Yorkshire and Humber (Wood, 2001) often gather information about existing customers and local competitors, but rarely or never collect information on international competitors and economy.

The analysis of information sources showed that all responding companies have their own database. To know their customers, the companies are using databases (100%), market research (81.3%), business partners (75.0%), conferences and meetings (68.8%) to obtain information. The information on competitors, economy and governments are mainly obtained from books, magazines and newspapers, as well as from radio and television. Besides that, frequently used information sources about competitors is from market research, while information on the economy and governments is collected from public institutions and databases. While tourism companies in Yorkshire and Humber (Wood, 2001) used the Internet mostly as a promotional and distribution tool, it is an important information source in Slovenian companies. A high percentage of them use the Internet for collecting information about competitors and the economy (90.6%), whereas for collecting information about governments and customers, the Internet was used by 59.4% and 56.3% of companies respectively.

4.3 MkIS for management support and performance

In Slovenia managers used MkIS to make decisions concerning various marketing management activities (68.7%) and marketing-mix ingredients (68.7%). Although Li, Chen and Roan (2001) studied different types of decision models used by Taiwanese managers, in this survey, the respondents were called to answer only one question, which related to the usage of any computer-based decision models. The analysis results revealed that managers of 31.2% of tourism companies did not use computer-based decision models, while 34.4% of respondents confirmed it. Also, the equal percentage of respondents claimed to be undecided (34.4%), which is probably due to the lack of knowledge in this area. On the other hand, during the study, these companies could have been in the phase of introducing computerized decision models in their MkIS. However, further future research regarding this concept are required.

In the survey questionnaire respondents were also asked to evaluate their MkIS performance. The systems were most successful in improved decision making (93.8%), customer knowledge (87.5%) and marketing planning and reporting (84.4%). Furthermore, in the majority of tourism companies the respondents agreed that their MkIS enabled quick development of new services and improvement of existing services (78.1%), as well as improved sales promotion activities (78.1%) and more effective market research (75.0%).

The evaluation of marketing information quality showed less positive results. In 68.8% of companies, the MkISs users received accurate and timely information, whereas in 56.2% of companies, they received relevant and reliable information as well as concise information. This is because the response time of MkISs to users' information needs was not always fast (62.5% in case of all information needs and only 50.0% in case of the need for new information). Besides, the information users were sometimes confronted with information inaccessibility (40.6%) and high access costs (34.4%). As a result, MkISs did not always improve work productivity or allow for faster and improved knowledge sharing among employees (68.8% respondents confirmed). What is more, only 53.1% of respondents agreed that MkISs improved internal communication and enabled faster accomplishment of tasks. Besides, one-fifth (21.9%) of respondents admitted that use of the MkIS in their companies was difficult.

The last weakness of MkISs in tourism companies is their compatibility with other information systems within the company. In other words, only in 55.0% of the companies which own information systems in other departments (62.4%), MkISs were connected and successfully cooperated with other information systems. This is crucial because the information from other departments is for marketing managers or information users equally important as marketing information.

5 Discussion

A descriptive analysis of the survey demonstrated how larger tourism companies in Slovenia manage marketing information and how effectively managers and other information users utilize the MkIS. The findings revealed that in some companies there is a need for modernization and improvement of MkIS. They should particularly focus on the redesign of marketing information management. Besides that, in some companies the information users should get better technical support.

Based on the research findings, a MkIS model suitable for tourism companies has been developed (Figure 1). Like other MkIS models it consists of input, output, information process, as well as feedback, which enables to control MkIS performance and marketing information quality. Information process includes the following phases: gathering, processing, distribution, usage and storing of information.

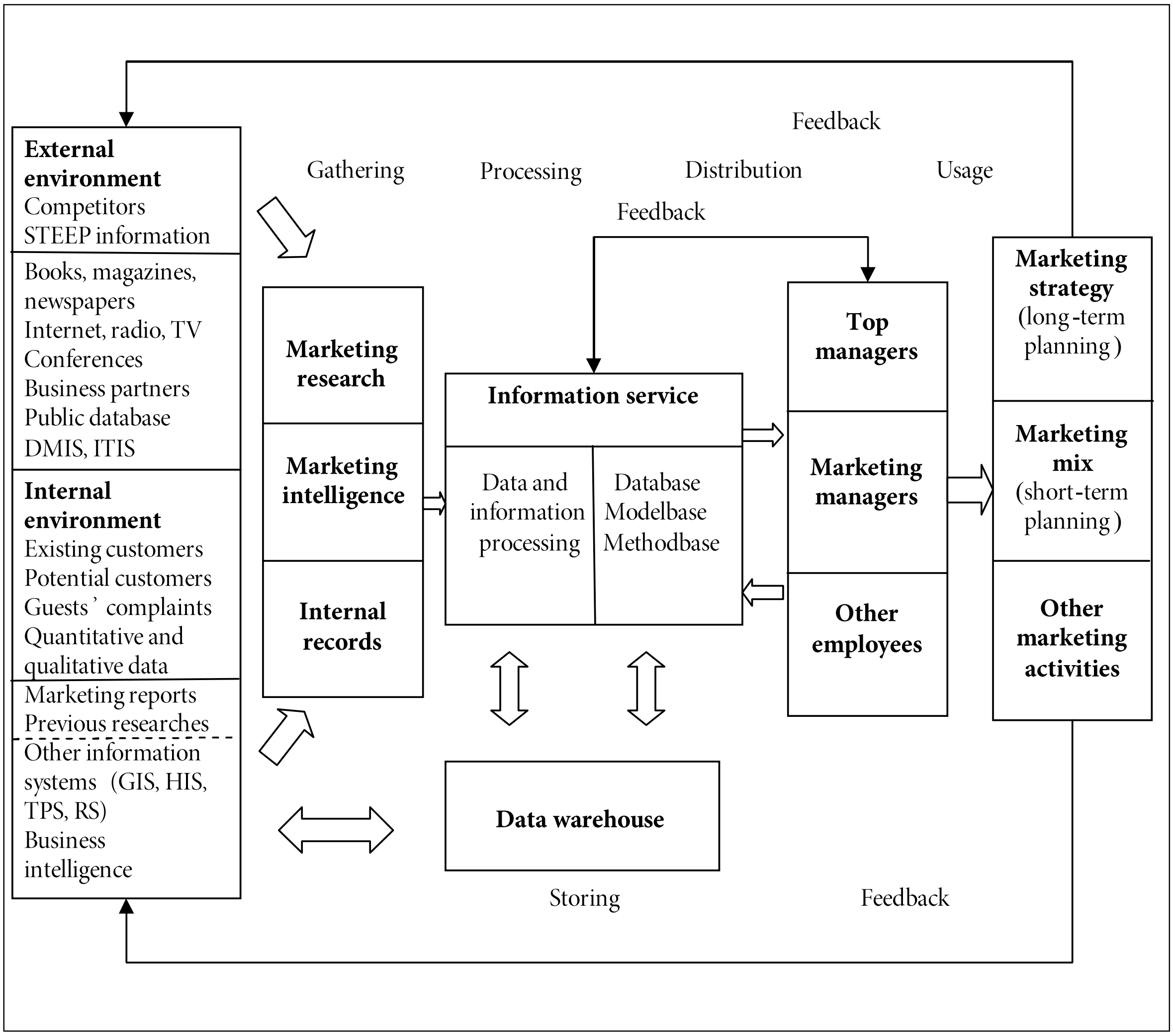
The information is collected from internal and external environment through internal records, marketing intelligence and market research. Although the survey findings revealed that only half (53.1%) of the companies regularly gathered information from external sources, it is most important to include this information in the information process. According to the results, the MkIS model is designed to obtain information from books, magazines, newspapers, the Internet, radio, television, conferences and meetings, business partners, public database, DMISs and ITIS of Slovenian Tourist Board. As may be seen in Figure 1, one of the major weaknesses of tourism companies' MkISs has been considered. To be precise, information from the internal environment can be obtained from information systems of other departments (GIS, HIS, Transaction Processing System [TPS] and RS), as well as business intelligence, reports and previous research.

In the second phase of information process, employees of information service analyze and process information to make it relevant for the users. Afterwards, the information is distributed according to assessed information needs to top managers, marketing managers or other employees. Then, information users utilize the information long-term planning (marketing strategy), short-term planning (marketing mix elements) and other marketing activities.

The MkISs in Slovenian tourism companies were not used only by management staff but by other employees as well, which proves that marketing information and MkIS utilization depends on various factors in organizations and their business environment (Wood, 2001). Consequently, the model was adjusted to different user groups to:

1. help sales and marketing employees to accomplish their tasks faster and easier, which would lead to improved productivity of work,
2. enable faster and improved knowledge sharing among the information users,
3. improve internal communication,
4. help marketing managers and directors to make the best marketing and business decisions.

Fig. 1: *Recommended model for MkIS within tourism companies*



Note: *STEEP information=Social, technical, economic, environmental and political information; DMIS=Destination marketing information system; ITIS=Integral Tourist Information System of Slovenian Tourist Board; GIS=Geographic information system; HIS=Hotel information system; TPS=Transaction processing system, and RS=Reservation system.*

In one-fifth of Slovenian tourism companies information users find their MkIS difficult to use. To overcome this problem it is suggested that companies should organize an information service department in order to give employees better technical support. However, it is also necessary to establish communication and feedback between both these groups.

In the final phase of information process, the information is stored in a database or data warehouse where managers and other users can find the information needed for ad hoc decision making. Therefore, information must be carefully classified according to information users' needs in electronic database and hardcopy database.

5 Conclusions

The survey revealed the current status of MkISs and marketing information characteristics in Slovenian tourism companies. It seems that tourism companies are aware of different information sources which are used in marketing planning. On the other hand, a surprisingly low percentage of the companies regularly use external information sources. Information users in certain tourism companies sometimes receive inaccurate, out-of-date, irrelevant, unreliable or excessive information. This suggests that some of the tourism companies in Slovenia should make a detailed analysis of marketing information management and redevelop their MkIS. Managing the information is crucial because out-of-date information leads managers to make poor decisions which then causes considerable damage to their business.

With regards to information technology utilization, the study demonstrated that Slovenian tourism companies are well equipped with computer hardware and software and that a significant part of their business is computerized. This is somewhat consistent with the survey results of Taiwanese companies (Li, Chen & Roan, 2001), whereas in British tourism companies (Wood, 2001) the situation was slightly different. One of the reasons is the difference in time of the study period. During this time dramatic changes in the computer technology field have occurred. In addition to that, the study done by Wood included SMEs tourism companies, while this survey included larger tourism companies only.

Since the survey only focused on the very specific population, that is larger tourism companies in Slovenia, it would be convenient to carry out similar research on small tourism companies. Moreover, according to results of this study, the usage of computer-based decision models as well as the possession of other information systems in Slovenian tourism companies should be further examined in the future. Finally, due to the small survey sample it would be advisable to repeat the study to gain more completed questionnaires from different subgroups of tourism industry and make a comparison between them.

Marketinški informacijski sistemi v turističnih podjetjih

Povzetek

Prispevek predstavlja izsledke raziskave o značilnostih marketinških informacijskih sistemov (MkIS) in uporabi tržnih informacij v slovenskih turističnih podjetjih. Za potrebe preučevanja MkIS-a je bil na podlagi teoretičnih vsebin in predhodnih raziskav oblikovan anketni vprašalnik. V raziskavi je bil poudarek na preučevanju upravljanja tržnih informacij – zbiranja, obdelave, posredovanja, uporabe in hranjenja informacij. Poleg tega je bila raziskana uporaba informacijskih sistemov v marketinških oddelkih ter to, ali so ti uporabljeni kot podpora pri odločanju. Rezultati deskriptivne analize so bili primerjani z ugotovitvami preteklih prispevkov, ki so obravnavali MkIS-e. V zaključku so predstavljene omejitve študije in predlagane smernice za prihodnje raziskave.

Ključne besede: marketing, tržne informacije, informacijski sistemi, turizem, Slovenija

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review scientific article

Developing sustainable agrotourism in Central and East European Countries

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Abstract

Tourism is one of the fastest growing industries and is being accelerated by globalization. The fast spread of information communication technology, excellent infrastructure, changes in patterns of spending free time and the need to get away from the stress of the city are all factors that affect the emerging agrotourism industry. Today's tourists are willing to pay for the preservation of the natural and social environments they seek to explore. Agrotourism is a softer way to develop sustainable tourism in rural areas and also acts as farm tourism; agrotourism is seen as a kind of rural tourism related to agriculture. Visitors become acquainted with the cultural landscape, local products, traditional cuisine and the daily life of the people, as well as the cultural elements and the authentic features of the area, while showing respect for the environment and for tradition. Agrotourism mobilizes the productive, cultural and developmental forces of an area, contributing to the sustainable environmental, economic and social development of the rural zone. The objectives pursued in this paper are to research important implications and trends of sustainable agrotourism development in central and east European (CEE) countries. Tourism as a quickly growing industry allowed many developing countries to integrate culture, landscape, agriculture products, and heritage as a part of their strategy in attracting tourists to these countries. We need to understand that as much as tourism needs globalization to grow as an industry, it is due to tourism that globalization became such an important aspect of interaction across places and countries. The main challenge that agrotourism faces is to sustain the growth of rural economies while ensuring the long-term protection of the social and natural environment.

Key words: agrotourism, Central and Eastern Europe, Slovenia, sustainable development

1 Introduction and literature overview

The diversification of farming into areas and activities other than food production such as agrotourism (the processing and on-farm sale of agricultural products) could represent an alternative for rural planning and sustainable development, especially in disadvantaged rural regions. Hjalager (1999) has analyzed empirical evidence about the impact of rural tourism on the agricultural industry. She has shown that the financial returns often don't measure up to the expectations of politicians or to those of farmers. Rural tourism could be considered a contributor of innovation of the tourist product because its smaller scale, green issues and special facilities are quite different from other products. It could be said that sustainable tourism does not fit into the same category as mass tourism. It could be defined as tourism in search of the sustainability principles. It should generate income and employment for the inhabitants of rural areas, but the environment and culture of the local communities should remain intact. This paper offers an overview of sustainable agrotourism in central and eastern European countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia, and the Former Yugoslav Republic of Macedonia). Although there are substantial differences in the state of the environment in different CEE countries, some general similarities can be found due to similar political and economic backgrounds. The political changes of 1989–1991 resulted in economic changes in the region which have had a profound influence on environmental policy.

Ellingham, the founder of Rough Rides said: "One of the most encouraging developments in the travel industry is that 'responsible tourism' has become a buzzword, something we all want to sign up to. But it has been used far too loosely and it's time to draw breath and work out just what it all means and how we can adopt it. Incorporating sustainability into the travel business is in the interest of everyone – not least the industry – by preserving the environments and cultures that we all want to continue to enjoy." (Draper & Murray, 2008)

Kneafsey (2000) acknowledged that many rural regions in the peripheral areas of Europe have taken to tourism as a possibility of alternative development strategy to go along with changes in the agricultural food production system. Both national and EU policies have put the emphasis on encouraging a ground-up development revolving around the commoditization of local cultural resources or knowledge, Particularly in more remote areas, but it has been done to a different extent.

Bojnec (2006) argues that "different concepts have been developed regarding the definition, relations and distinctions between rural tourism, agro-tourism and farm tourism" and that "different tradition in rural areas and different patterns in tourism development caused these differences". He suggests that farm tourism could be defined as a sub-set of agro-tourism, or that it could be identified with agro-tourism, while agro-tourism seems to be regarded as a kind of rural tourism closely related to agriculture. Both farm and/or agro-tourism represent only a smaller part of rural tourism.

Butcher (2006) stated that "ecotourism advocates as sustainable development a type of development in marked contrast to both traditional notions of modernisation as development, and the experience of the developed world". Kasparek (2007) proposed following definition: "Agrotourism is the form of tourism which capitalizes on rural culture as a tourist attraction. It is similar to ecotourism except that its primary appeal is not the natural landscape but a cultural landscape. If the attractions on offer to tourists contribute to improving the income of the regional population, agrotourism can promote regional development. To ensure that it also helps to conserve diversity, the rural population itself must have recognized agrobiodiversity which is valuable and worthy of protection. There are a range of other forms of rural tourism which are not necessarily a part of agrotourism in the strictist sense - e.g. ethnotourism, project tourism, health tourism, historical tourism, cultural tourism or adventure tourism. The term 'agro-ecotourism' is generally synonymous with 'agrotourism'."

Wallace and Russell (2004) studied the form of eco-cultural tourism defining the ecological and cultural aspects of a landscape in combination with the creation of a site for tourists. They proposed it as a chance for communities which have marginal cultural or ecological resources for development. Sustainability and participation have been pointed out as lighthouses for the long-term future of eco-cultural tourism. An interpersonal, direct and hospitable view of services between country residents and visitors serves as the elementary building block of agrotourism. Therefore, the emphasis should be placed on the tourists' contacts with people, nature, local land and local customs, and various farm work.

There is a lot of potential for the development of sustainable agrotourism in the CEE countries. The European Union is very active in promoting policies which give support to agrotourism. It is evident that some of EU Mediterranean countries earn a significant part of national tourism income from agrotourism, for example the Veneto region of Italy has been successful in joining agrotourism to farming operations with the focus on the marketing of high-value foods connected to the diverse region's historical, cultural and social traditions (Zammit Marmara, 2010).

2 Sustainable agrotourism potential in CEE countries

As often happens, there is no uniform definition of agro-tourism, although this topic has been addressed in literature and at tourist congresses on agrotourism areas in an attempt to unify and standardise definitions. In Slovenia, agrotourism activity as one of the indicators of the growing importance of the viability of rural areas has increased significantly in the last decade. Tourists come mainly from Slovenia (60%), Germany (13%), Italy (12%) and Croatia (8%) (Borec et al., 2004). The countries of the CEE are fighting for sources of economic development and they consider the tourism industry as a source of important challenges and opportunities. In several CEE countries research with attention the world tourism market, and the number of visitors they manage to attract is growing. As it is written in the Council of Europe report, the CEE region managed to attract more than 17% of arrivals to Europe in 1993. Hungary succeeded in winning the honour of being one of the best five tourist destinations in the world. The CEE countries have important cultural heritage to show and vast untouched natural areas, much more than in the West, which represents many opportunities for ecotourism (Greenpack, 1996).

In the study done by Hayle et al. (2006) it is suggested that agrotourism in the developed world appears to centre on:

- big farms which offer rural vacations;
- institutional links between organic agriculture, sustainable land use, nature and environmental protection, rural development and the protection of cultural heritage and landscapes;
- in Sweden it is focused on lifestyle;
- on Cyprus they try to foster entrepreneurship in rural areas and at the same time protect their heritage;
- in Turkey the emphasis is on tourists in private dwellings and training programmes for women;
- in Canada farms concentrated on beekeeping, berry picking, greenhouses, breeding farms, dairy farms, produce farms and fishing;
- in Italy the emphasis in on development of traditional craft.

In the developing world, agrotourism is also associated with rural farm life, for example (Hayle et al., 2006):

- in Malaysia they are oriented toward fishing villages, mud and mangroves, fruit farms, lakes and fishes;
- in Colombia the most important are home stays;
- in Bali, they have concentrated on fruit and flower farms;

- in Thailand, the focus is on conservation of the environment and linking this to national park preservation, addressing three basic principles of sustainable development, as recognized in Thailand: to conserve natural areas; educate visitors and to be of benefit to the local population.

The Chamber of Agriculture of the Republic of Lithuania is an umbrella organization covering NGO's made up of farmers and rural inhabitants and representing the common interests of rural society. They promote the intensification of agricultural and rural sectors, the rural community, and seek solutions favourable to agriculture and rural development in dialogue with authorities. Strategic goals of the Lithuanian Chamber of Agriculture (2010) are to:

- intensify the competitiveness of the agricultural sector,
- increase the level of farmers' income,
- seek sustainable agriculture, capable of preserving the countryside and remaining the main pillar of rural viability, meeting consumers' needs for food quality and safety and preserving safe environment for future generations,
- intensify the rural development process, involving the rural community in active participation of development and implementation of rural development policy,
- encouraging the activity of rural communities and developing their civil awareness.

In Hungary, the interest from foreign visitors is moving towards three types of rural tourism which offer around 10,000 beds as a response to a growing demand (Rural tourism international, 2010):

- in places near popular tourist destinations (cheaper accommodation);
- in horse-shows organised around Lake Balaton, in order to avoid difficulty in travelling for tourists to the puszta (prairie);
- in traditional gastronomy and wine tasting programmes.

In Romania, the National Association for Rural, Ecological and Cultural Tourism (ANTREC) has been working in the area of rural tourism since 1994. It is a non-governmental organization and it is a member of the European Federation for Rural Tourism (EUROGITES). Today it has 32 regional branches and some 3,500 members (owners of tourist and agrotourist capacities in 900 locations. The association was formed to identify and promote rural tourist potential; it organizes professional seminars for hosts, tourist agencies and to discuss experiences and exchange ideas with similar associations from abroad; to exchange information inside the network ANTREC; to organize marketing campaigns. Its basic functions are to represent members and lobby for political decisions, marketing, to control and standardize products, to educate, facilitate reservations and provide information (Jelinčić, 2007).

The Association of Tourism Farms in Slovenia, founded in 1997, has over 310 members – holders of tourist activity on farms (2,054 beds, 11,600 seats) and is in charge of marketing and promotion at home and abroad. Strategic objectives of the Association (Združenje turističnih kmetij Slovenije, 2010) are to:

- improve the quality of goods on offer from farms;
- emphasize higher occupancy rates;
- have more daily guests to excursion farms and wine cellars;
- create a positive image of rural tourism;
- preserve jobs on farms;
- contribute to the maintaining of the population density
- contribute to the maintenance of the cultural heritage in rural areas.

Activities of the Association include:

- marcom activities;
- representing the interests of their members;

- informing the members and publishing information material for farm guests;
- organizing training for members;
- preparing project proposals about quality development, marketing, international cooperation;
- improving the promotion of rural tourism, presenting catalogues, brochures, bonus systems (allowing 10% to 60% discount on the entrance fee for the most attractive sights of Slovenia, Carinthia and Friuli Venezia Giulia) and other activities.

Rural tourism training organizations in Slovenia:

- The Chamber of Agriculture and Forestry of Slovenia is very active with the Association of Tourist Farms of Slovenia and also with associations of tourist farms in Carinthia and Friuli Venezia Giulia within different international projects.
- Rural accommodation provider's association such as the Institute for Sustainable Development (ECEAT Slovenia), especially on the international level.
- involvement of tourism schools.

As Minoiu (2001) reports, the agricultural sector is more important in most of the central and east European countries than in EU member states, employing 22% of the labour force vs. 5.1% in the EU. The agricultural sector in CEE countries is accountable for 7% of GDP vs. 1.7% in the EU. However, there are significant differences inside CEE countries too, for example the agriculture of Romania and Bulgaria is the most important sector. From Table 1 we can see the differences in percentage GDP from agriculture in CEE countries and some development trends.

Arnold (2004) explained that if income expectations are low, tourism could be run as a complementary sideline. There is a tendency for farms to have a large area of scarcely used space; a bed and breakfast offer can be run by one of the family members. IAMO (2004) study on the future of rural areas in CEE countries said that for most of the CEE regions, the contribu tion of tourism will not represent a major source of income,

Table 1: *Percent GDP from agriculture, CEE countries*

Country	2000	2005	2008
Albania	29.1	22.8	20.6
Bosnia & Herzegovina	11.0	10.5	10.2
Bulgaria	14.2	9.4	4.6
Croatia	9.1	7.6	6.1
Czech Republic	3.9	2.9	2.6
Estonia	4.9	3.7	2.9
Hungary	5.4	4.3	3.2
Latvia	4.6	4.0	3.3
Lithuania	7.8	5.7	4.3
Macedonia	12.0	12.8	11.4
Poland	5.0	4.6	4.0
Romania	12.5	10.1	8.1
Serbia	NA	NA	12.3
Slovakia	4.0	3.9	2.6
Slovenia	3.2	2.6	2.2

Source: World Resources Institute (2010) and own elaboration

because the tourism market is a highly competitive market globally. We also have to keep in mind that development of needed infrastructure and support institutions for tourism is hindered by a lack of capital so it is most likely that areas with unfavourable conditions could not expect tourism to play a really important role.

3 Conclusion and discussion

In conclusion, we could state that agrotourism could represent a viable solution for rural regions of CEE countries. There should be involvement from different stakeholders, from government, overboard initiatives, local government, NGO's, agricultural policy bodies, farmers, etc. Zammit Marmara (2010) suggested that the most favourable scenario would be to stimulate state and private initiatives to propose a joint national plan for agrotourism that could offer new employments in the studied sector. An economic and cultural strategy should be planned for local sustainable development. It is quite usual that farming in some rural areas still represent a significant source of living, but it is no longer the prevailing pattern. Globalizing processes have entered into the rural sector too. Doitchinova (2005) emphasized the fact that contemporary lifestyle, from ICT to infrastructure influence rural traditions. Huylenbroeck et al. (2007) were not the first to propose the idea of multifunctionality as a way to fuse agriculture with actual social and environmental needs. Postmodern agriculture should add also different non-commodity products and services; it is influencing socio-cultural conditions and fostering economic development.

In an attempt to identify the appealing aspects of diversity, Kasparek (2007) contested that planned agrotourism contributes to the safeguarding of endangered flora and fauna. That is why more emphasis should be put in recognition of regionally important animal species and vegetation varieties to develop the agrotourism in less advantaged countries. Besides that, cultural heritage of the use of these animals and vegetation should be promoted and nurtured, if we design development of agrobiodiversity and conservation of diversity.

No one player can create a sustainable destination. Collaboration is needed to make it happen between government, industry and communities. Following Draper & Murray (2008) recommendations:

- For governments and tourist boards: a sustainable destination idea can become the basis for development of agrotourism assets. Governments should help create a vision of sustainable tourism in their region or country to plan sustainable strategies and investment decisions.
- For rural developers: development should be guided within environmental limits, using local staff for long-term opportunities, building strong links with the local community, infrastructure should be created and built in a way to support sustainable living, and creating long-term financial value.
- For tour operators: one of the most important issues is to ensure the sustainability level of marketed places. CSR policies and practices should be increasingly incorporated into operators offer.
- For the rural communities and destinations: rural communities should hold governments and industry stakeholders accountable. Sustainable rural tourism could be the future if stakeholders would take a proactive, collaborative approach, contributing also to their own success.

When assessing the contribution of this paper to past studies, it could be emphasized that it is a small scale comparative study, based on several subjectively chosen case studies trying to put a holistic picture of sustainable agrotourism, which clearly identified differences in the perception and definition of agrotourism for selected CEE countries. The latest available numbers on percent GDP from agriculture in CEE countries; approaches to foster sustainable agrotourism and some development trends have been analyzed. The importance and potential of responsible agrotourism for sustainable development of CEE countries has been shown. The importance of agrotourism in remote country areas is also clearly visible where there are scarce resources for living and employment and a joint effort of many stakeholders needed. In order to keep nature intact and a attractive way of life, that draws stressed visitors to the country in order to enjoy a calm and simple way of living, the number of visitors should be limited, clear rules should be established about the construction permissions in protected zones, protection of water reserves and other important issues should be taken under strict regulation.

Finally, we could say that agrotourism represents a viable future for the rural development; it is related with the economic support of these areas; it improves the development of infrastructure and other related services in rural areas; and that cooperation with neighbouring countries in border areas is very important. Multifunctional activities in sustainable agrotourism could contribute to the sustainable development of rural regions of CEE countries. It could become the opportunity for more stable rural development by reducing poverty and increasing farm income. In addition, multifunctionality of agriculture may stabilize the social and economic life in rural area and protect the environment in CEE countries.

Razvoj trajnostnega agroturizma v državah srednje in vzhodne Evrope

Povzetek

Turizem, kot ena najhitreje rastočih industrij, je dobil dodaten zagon z globalizacijo. Hitro širjenje informacijsko-komunikacijskih tehnologij, odlična infrastruktura, spremembe vzorcev preživljanja prostega časa ter pobeg pred mestnim stresom so dejavniki, ki pozitivno vplivajo na razvoj agroturizma. Današnji turist je pripravljen plačati za ohranjanje naravnih in družbenih okolij, ki si jih želi raziskati. Agroturizem je mehkejša oblika trajnostnega razvoja turizma na podeželju, ki ga poznamo tudi pod izrazom kmečki turizem; definiramo ga lahko tudi kot obliko podeželskega turizma, povezanega s kmetijstvom. Obiskovalci se spoznajo s kulturno krajino, lokalnimi izdelki, tradicionalno kuhinjo, vsakdanjim življenjem prebivalcev, s kulturnimi elementi ter avtentičnimi značilnostmi področja, ob izkazovanju spoštovanja do okolja in tradicije. Agroturizem mobilizira proizvodne, kulturne ter razvojne sile področja s tem, da prispeva k trajnostnemu, ekonomskemu ter družbenemu razvoja podeželja. V referatu želimo raziskati pomembne implikacije in smernice razvoja trajnostnega agroturizma v osrednjih in vzhodnoevropskih državah (CEE). Turizem kot hitro rastoča industrija mnogim državam omogoča integracijo kulture, pokrajine, kmetijskih izdelkov ter dediščine kot delov strategije privabljanja turistov v te države. Razumeti moramo, da je ravno tako, kot turizem potrebuje globalizacijo za rast industrije, po zaslugi turizma globalizacija postala pomemben vidik interakcij med kraji in državami. Najpomembnejši izziv agroturizma je spodbujanje rasti podeželskega gospodarstva ob zagotavljanju dolgoročne zaščite družbenega in naravnega okolja.

Ključne besede: agroturizem, srednje- in vzhodnoevropske države, Slovenija, trajnostni razvoj

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original scientific article

Does the hotel industry create value for owners? The empirical analysis of residual income: The case of Slovenia and Croatia

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Abstract

This paper aims to analyze the residual income of the Slovenian and Croatian hotel industry for the period covering 2005–2008. The residual income not only looks at return on invested funds, but also implicitly compares it with the risk adjusted opportunity cost of such an investment. This parameter is therefore a better performance measure than simply accounting performance measures. The results of the analysis prove that residual incomes of Slovenian and Croatian hotels were far from being positive during the whole period. The obtained findings demonstrate that hotel companies in aggregate did not create value for their owners and that they did not generate enough profits to cover the appropriate cost of capital i.e. the cost of capital that takes into consideration the risk adjusted opportunity cost.

Key Words: residual income, hotel industry, tourism, risk-adjusted cost of capital, performance measure

1 Introduction

In the last decade, we were faced with significant growth and demand in the tourism sector. However, according to official statistics published by UNWTO (2009), international tourism experienced a 1% decline just in the second half of 2008. In the year 2008, the Slovene tourism industry employed 3.46% of active labor force and produced 2.03% of the GDP (SURS, 2009). On the other hand, in 2008 Croatia's tourism industry employed 5.8% of the active labor force and produced approximately 20% of the GDP (Statistical information, 2009). In accordance with the aforementioned basic statistics, it is obvious that the tourism industry represents an important branch in the case of the Slovenian and Croatian economy. This is an argument in favor of performing an empirical analysis on the residual income of Slovene and Croatian hotel enterprises. Therefore the basic research question is whether these hotel enterprises have positive or negative residual income. For the purpose of empirical analysis we will test the null hypothesis (H_0) against the alternative hypothesis (H_1):

- H_0 = The Slovene and Croatian hotel industry has a positive residual income and adds value for their owners.
- H_1 = The Slovene and Croatian hotel industry does not have a positive residual income and does not add value for their owners.

To test the above hypotheses the residual income model will be used. The analysis will be performed for the period of 2005–2008 for Slovene and Croatian hotels. The necessary data were collected from the aggregated balance sheet and aggregated statement of income.

This paper is organized as follows. After the introduction, the theoretical background of the research is presented where the methodology of residual income and cost of equity capital is explained. The third part presents the data used. The obtained results of the analysis and the discussion constitute the fourth part. The fifth part concludes the paper.

2 RIV model as an investment decision-making measure

When an investor analyses the efficiency of invested capital, she/he can use typical accounting measures such as return-on-equity or similar measures. These measures, however, lack of one crucial factor of analysis: what is the opportunity cost of equity capital. A positive return-on-equity is not enough to satisfy investors; investors expect to be rewarded according to the risk involved in the investment and relatively to the overall level of interest rate in the economy. Only if an investment's return is higher than desired (or normal!), does the investment add value for the company.

It is normal for investors and managers to want to know what the value of their business is. The postulate of financial management theory is that the managers' primary objective should be to increase the value of investors' (i.e. owners') equity capital. But how to select the appropriate decision-making measures and find factors that influence stock prices? Glen (2005, 308) argues that without being aware of these factors, managers will not be able to define the consequences of their managerial decisions. One of the possible solutions is the concept of residual income as a performance measure and valuation tool.

One of the possible solutions is the concept of residual income as a performance measure and valuation tool. The concept was introduced in the early 1920s; however, it has not been frequently used since, despite its interesting basis. The stimulus for its return to the management financial horizon was Stewart's publication in 1991, in which the authors presented their "modernized" version of residual income: Economic Value Added or EVA® (Christensen and Feltham, 2002). According to this model, a company's profits (as accounting category) do not necessary imply that a company is creating value for its owners.

2.1 Residual Income

The Residual Income Valuation model (RIV) has become prominent in accounting literature during the past decade. The reason is its apparent ability to give a constructive role to accounting data in equity valuation. And what is the efficiency of the RIV model compared to other possible methods? The valuation based on the future cash flows by contrast suggests a general irrelevance of future earnings and other accounting data (Ohlson, 2005, 323). In addition Jamin (2005) found that – in contrast to the theoretical prediction – the performance of the RIV models is not much better than simple ratios analysis.

The RIV model is theoretically equivalent to the model of free cash flows that belongs to equity capital and to the dividend discount model. Both models (RIV and FCF) are derived from the dividend discount model, which has the following mathematical specification (Halsey, 2001, 258):

$$V_0 = \sum_{\tau=1}^{\infty} (1+k)^{-\tau} \cdot Div_\tau, \qquad [1]$$

where:

- V_0 = present value of equity capital,
- k = cost of equity capital,
- Div_τ = cumulative expected dividends at time τ,
- τ = time.

The model defines the value of equity capital as the present value of expected dividends, where the book value of equity capital can be calculated as:

$$BV_0 = BV_{-1} + E_0 - Div_0. \qquad [2]$$

where:

- BV_0 = present book value of equity capital,
- BV_{-1} = book value of equity capital for the previous period,
- E_0 = net income for the current period,
- Div_0 = cumulative dividends for the current period.

Finally, residual income at the present time can be estimated according to the following equation:

$$RI_0 = E_0 - k \cdot BV_{-1}, \qquad [3]$$

where:

- RI_0 = present value of residual income,
- E_0 = net income for the current period,
- k = cost of equity capital of the company,
- BV_{-1} = book value of equity capital in the previous period.

If we substitute [2] and [3], we obtain the following equation:

$$Div_0 = (1+k) \cdot BV_{-1} - BV_0 + RI_0, \qquad [4]$$

which determines dividends by the book value of equity capital and residual income. Furthermore, if we substitute [4] and [1], we obtain the dividend discount model that expresses the value of equity capital as the sum of the book value of equity capital and the present value of residual income (Halsey, 2001, 258):

$$V_0 = BV_0 + \sum_{\tau=1}^{\infty} (1+k)^{-\tau} \cdot (RI_\tau), \qquad [5]$$

where:

- V_0 = present value of equity capital,
- BV_0 = present book value of equity capital,
- k = cost of equity capital,
- RI_τ = expected residual income at time τ.

Assuming a stable growth rate of net incomes, the model can be simplified into a constant growth model as follows: value of the equity is derived from the infinite future flows of constantly growing net incomes. According to this, the expected residual income is:

$$RI_1 = E_1 - k * BV_0, \qquad [6]$$

The value of expected residual incomes can be expressed as:

$$\frac{RI_1}{k} = \frac{E_1 - k * BV_0}{k}. \qquad [7]$$

Finally, if we substitute [5] and [6], the value of equity capital with constant growth expected residual income can be calculated as:

$$V_0 = BV_0 + \frac{RI_1}{k - g_{RI}} = BV_0 + \frac{E_1 - k \cdot BV_0}{k - g_{RI}}, \qquad [8]$$

where:

- RI_1 = expected residual income,
- E_1 = expected net income,
- BV_0 = book value of equity capital,
- k = cost of equity capital,
- g_{RI} = expected growth rate of residual incomes.

Following the assumption that a company adds value for its owners the residual income has to be positive.

2.2 Cost of equity capital

The cost of equity capital is an essential parameter in the calculation of residual income. It is the minimum return that investors request on their invested capital; hence it is profitability that investors demand for the risk they bear. This is therefore is used as a discount factor for the future earnings and cash flow from the new investment opportunities. Even a small change in the cost of capital causes a rather extensive change of equity capital value.

Many models and techniques have been developed to estimate the cost of equity capital, such as the well known and oft-used Capital Asset Pricing Model (CAPM) (Black, 1972; Lintner, 1965; Ross, 1976; Sharpe, 1964), the Fama and French Three Factor Model (Koller et al., 2005; Estrada, 2005), and others. The primary conclusion of the CAPM is that the relevant risk of an individual stock is its contribution to the risk of a well diversified portfolio. According to CAPM a required rate of return for an *i*-th share is calculated as follows:

$$r_i = r_f + \beta_i \cdot (r_m - r_f), \qquad [9]$$

where:

- r_i – required rate of return,
- r_f – risk free rate,
- β_i – beta coefficient,
- r_m – market rate of return
- $(r_m - r_f)$ – market risk premium.

Several shortcomings arise from the assumptions of the model (see e.g. Gunnlaugsson, 2006; McNulty et al., 2002; Zellweger, 2007), but many surveys have found that the CAPM approach is by far the most widely used method (Brigham & Ehrhardt, 2005).

2.3 Model used

The above described residual income and cost of capital frameworks constitutes our empirical methodology. The basis of this methodology is the equation [3]. By applying this method we will obtain data on net income and the book value of equity capital from the aggregated[1] balance sheet and aggregated statement of income. The cost of equity capital will be estimated by using the CAPM model [10]. Three input variables have to be estimated:

1 I.e. data were collected for the entire Slovene and Croatian hotel industry.

- risk-free rate of return,
- market risk premium and,
- beta coefficient.

The risk free rate was calculated as the sum of the yield to maturity of a thirty-year inflation indexed US Treasury Bond plus the inflation:

$$r_{ft} = YTM_{at} + i_t \qquad [10]$$

– where:
– r_{ft} = risk-free rate for the observed year,
– YTM_{at} = Yield to Maturity of a thirty-year inflation indexed US Treasury bond (Federal Reserve Bank of St. Louis 2009) for the observed year,
– i_t = the inflation for the observed year.

Risk premium will be calculated by using the Damodaran (2009) as the market risk premium of a mature US market plus country risk premium.

The last step in calculation of the cost of capital is the beta coefficient. Because data for the systematic risk factor cannot be calculated for non-public Slovenian and Croatian hotel companies, we used the betas from the Damodaran website (2009) for the hotel and gambling industry as the best possible estimator for these companies in Slovenia and Croatia.

It is worthwhile to notice that we have used estimated cost of equity capital in the end of the year for calculating the residual income of that year. This decision may be debatable, but we would argue that we evaluated the profitability of the investment in t he terms of residual income based on the past performance (from the net income for that year), so we use the cost of capital for end of the year.

By applying the described methodological framework we will express residual income in relative terms. Therefore we have to advance the equation [3] as follows:

$$RI_t(\%) = \frac{RI_t}{BV_{t-1}} = ROE_t - k_t \qquad [11]$$

where:

– ROE_t = return on equity capital for year t,
– E_t = net income for year t,
– BV_{t-1} = book value of equity capital at the end of the year t-1,
– k_t = cost of equity capital for year t.

To apply the equation [11], we need ROE values that will be calculated by using the following algorithm:

$$ROE_t = \frac{E_t}{BV_{t-1}} \cdot 100, \qquad [12]$$

where:

– ROE_t = return on equity capital for year t,
– E_t = net income for year t,
– BV_{t-1} = book value of equity capital at the end of the year t-1.

3 Data used

The data were collected from the aggregated[2] balance sheet and aggregated statement of income for Slovene and Croatian companies for the period covering 2004–2008. The data were obtained from the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES) and Croatian Financial Agency (FINA). The collected data are presented in Table 1.

2 I.e. data were collected for the entire Slovene and Croatian hotel industry.

Table 1: *Data used*

Variable / Year	2004	2005	2006	2007	2008
Number of hotels and similar companies					
Slovenia	196	203	217	251	274
Croatia	406	457	509	564	666
Net income in 000 €					
Slovenia	- 9,550	- 3,093	16,423	15,445	- 20,595
Croatia	1,548	44,773	16,404	-34,417	- 123,235
Book value of equity capita in 000 €					
Slovenia	645,747	674,206	677,575	805,165	808,611
Croatia	2,283,522	2,720,291	2,868,395	3027855	3,166,023

Source: AJPES and FINA, 2009

4 Results and discussion

Table 2: *Calculation of the cost of equity capital estimation*

Slovenia		2005	2006	2007	2008
risk free rate %	1	4.40	5.09	8.21	4.20
market risk premium %	2	5.70	5.66	5.54	6.50
Beta	3	0.82	0.77	1.25	1.70
cost of equity capital %	= 1+2×3	9.07	9.45	15.14	15.25
Croatia					
risk free rate %	1	4.28	3.33	7.80	3.92
market risk premium %	2	6.45	6.41	6.29	8.38
Beta	3	0.82	0.77	1.25	1.70
cost of equity capital %	= 1+2×3	9.57	8.26	15.66	18.16

The described methodology (see 2.3) was applied on data described in Chapter 3. Table 2 summarizes data on all regarded variables.

According to the obtained empirical results, it is obvious that the cost of equity capital increased significantly in 2007 and 2008. This was caused by the growing value of beta coefficient, which increased from 0.82 in 2005 to 1.7 in 2008. Furthermore, the ROE for the Slovene and Croatian hotel industry was extremely low (Figure 1), even negative. The average ROE in Slovenia and Croatia in the period 2005–2008 was, respectively, 0.42% and -0.68% (with highest values of 2.44% and 1.96%). Even without further analysis we could conclude that the Slovenian and Croatian hotel industry is not a profitable one.

Figure 1: *Return on equity (ROE) for the Slovene and Croatian hotel industry in the period covering 2005–2008 (in %)*

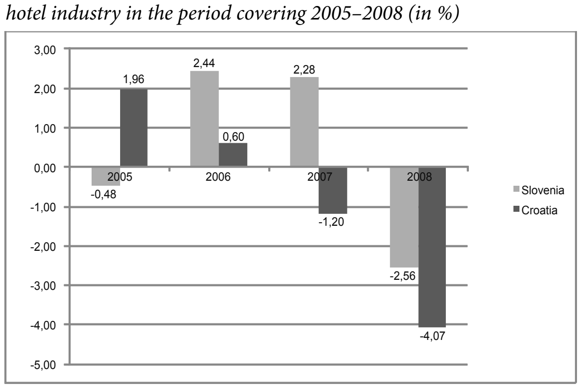

Table 3: *Residual income (in absolute and relative terms) for Slovene and Croatian hotels for the period 2005–2008*

Residual income in 000 €	**2005**	**2006**	**2007**	**2008**
Slovenia	-61,998.04	-47,712.40	-87,890.88	-143,717.61
Croatia	-174,737.24	-208,944.77	-486,797.41	-674,227.79
Residual income (ROE-k) %				
Slovenia	-9.60	-7.08	-12.97	-17.85
Croatia	-7.65	-7.68	-16.97	-22.27

Source: AJPES, FINA and own calculations

To that end the results of residual income are not surprising. The residual income (%) is negative in the whole analyzed period. These results simply indicate that the owners/investors of Slovene and Croatian hotels are losing value on their invested capital, accounting for risk-free rate and risk premium.

It is obvious that some changes incurred in the period covering 2005–2008. The reasons for extensive differences in negative residual incomes can arise from two sources:

a) the hotel industry might have substantially decreased net incomes relatively to the book value of the equity capital (ROE); and/or
b) the hotel industry have substantially increased the cost of capital.

In order to get a broader picture we have calculated the index rate of ROE change and the cost of capital. The results are presented in the table below.

Data show that companies have substantially decreased the returns on equity in the analyzed period. This means that they have decreased the net incomes relatively to the book value of equity capital. The decrease of ROE can result from: a) a decrease of net incomes, or b) an increase in the value of equity capital (the net income and the value of equity capital was presented in Table 2). A decrease of net incomes can be a result a decrease in revenues or an increase of cost of operations or financial expenses. However, a more detailed analysis of the reasons behind this finding was not possible due to lack of appropriate data.

A further analysis indicates that the revenues grew in the whole period (2005–2008) – the average growth rate in Slovenia and Croatia was 9,5% and 2,6%, respectively. The only exception was an insignificant decrease of revenues in 2006 for Croatian companies (Table 6). To that end a decrease of net income was a consequence of increasing costs of operations and financial expenses.

Figure 2: *The residual income for Slovene and Croatian hotel industry in the period covering 2004–2008 (in €)*

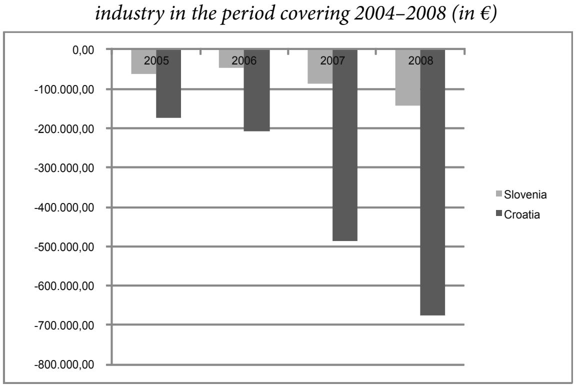

Table 5: *The rate of change of ROE and the estimated cost of capital for the hotel industry*

Slovenia	**2006**	**2007**	**2008**
C-ROE % points	2,91	-0,16	-4,84
C-k % points	0,39	5,74	0,04
Croatia	2006	2007	2008
C-ROE % points	-1,36	-1,80	-2,87
C-k % points	-1,33	7,49	2,43

Note: C-ROE is the percentage change of return of equity from the previous year and C-k is the percentage change of cost of equity capital from the previous year.

Table 6: *Total revenues for Slovene and Croatian hotel industry (2005–2008)*

Total revenues	2005	2006	2007	2008	Average annual growth (in %)
Slovenia	355.889	389.603	472.780	512.412	9,5
Croatia	1.048.172	1.032.689	1.159.810	1.164.467	2,6

Source: AJPES and FINA, 2009

Table 7: *The cost of operations for Slovene and Croatian hotels (2005–2008)*

Cost of operations	2005	2006	2007	2008	Average annual growth (in %)
Slovenia	332.708	351.816	426.860	485.054	9,9
Croatia	845.169	883.783	1.179.302	1.270.003	10,7

Source: AJPES & FINA

Table 8: *Financial expenses in Slovene and Croatians hotels in the period from 2005–2008*

Financial expenses	2005	2006	2007	2008	Average annual growth (in %)
Slovenia	23.941	16.174	22.030	42.489	15,4
Croatia	128.505	134.411	134.498	195.947	11,1

Source: AJPES & FINA

The cost of operations for Slovene companies have been growing similar to revenues in Slovenia (see Table 7), while in Croatia average yearly growth rate was 4-times higher than growth of total revenues – 2,6%.

On the other hand, financial expenses have been growing in average 15,4% annually in Slovenia and 11,1% in Croatia. However, one can notice that the proportion of financial expenses relatively to the costs of operations is significantly lower and thus also the effect on the growth of total costs.

The results further demonstrate that the investments did not result in greater net incomes relative to the growth of equity capital, but led to even worse results. Obviously, companies failed to develop innovative solutions bringing a higher productivity of their operations and a higher value added per employee, as well as an increased selling price (Fatur & Likar, 2009).

An obvious question that arises after thorough examination of the results above is why is it that the hotel industry did not earn enough to compensate for a normal cost of equity for their owners? By analyzing the aggregate balance sheet and the aggregate statement of income in more detail, it was discovered that the principal reason for the poor results of the Slovene and Croatian hotel industry was the excessive cost of operations.

Besides that the cost of capital increased simultaneously, both in Slovenia and Croatia. As one can notice from Table 2 above the cost of equity capital has been increasing steadily in the analyzed period. The reasons are twofold. Market risk premium increased by almost 1% point in Slovenia and 2% points in Croatia. This increase was especially evident in 2008. Further branch specific factor (β) has been increasing as well – from 0.82 in 2005 to 1.7 in 2008. Both factors were most probably affected by increased uncertainty because of the financial crisis.

6 Conclusion

In this study we analyzed the residual income for the Slovene and Croatian hotel industry. This is an original study in the field of measuring performance of Slovene hospitality industry with residual income that not only looks at the return on invested funds, but also implicitly compares it with the risk adjusted opportunity cost of such investment. We found that residual income was far from being positive for the whole analyzed period covering 2005–2008, which means that companies did not create value for their owners and that they did not generate enough profits to cover the appropriate cost of capital.

These results raise many questions for further research. The comparative analysis with the American hotel industry indicates that the ROE is much higher than the Slovenian and Croatian one. To that end a comprehensive analysis of Slovene and Croatian hotel industry has to be done in the future. Ivankovič, Jerman and Jankovič (2009) have already discovered that the main problem concerns costs of operations and increasing costs of financing (share of debt financing is increasing). To that end, modern accounting methods shall be used. These are undoubtedly activity based costing, target costing, benchmarking, and management by objective. Furthermore a comprehensive framework for performance measurement (Ivankovič et al., 2010) and the introduction of internationally adopted standards USALI for more comparable results will be unavoidable. According to disadvantageous forecasts as the consequence of the current severe market conditions, performance improvements are inevitable. Otherwise owners will still lose the value of their invested capital.

Ali hotelska industrija povečuje lastniško vrednost? Empirična analiza na preostalem dobičku: primer Slovenije in Hrvaške

Povzetek

Prispevek analizira preostali dobiček slovenskih in hrvaških hotelirskih podjetij v obdobju 2005–2008. Metodološko gledano model preostalega dobička ne upošteva samo realiziranega donosa na investirana sredstva, temveč upošteva tudi tveganju prilagojeni oportunitetni strošek kapitala. Zato je preostali dobiček boljši kazalnik uspešnosti poslovanja podjetij kot zgolj računovodski dobiček. Rezultati pričujoče analize kažejo, da je bil v celotnem preučevanem obdobju preostali dobiček slovenskih in hrvaških podjetij negativen. To kaže na to, da hotelska industrija ni povečevala vrednosti za lastnike oziroma da ustvarjeni (računovodski) dobički niso zadoščali za pokritje tveganju prilagojenega stroška kapitala.

Ključne besede: preostali dobiček, hotelska industrija, turizem, tveganju prilagojeni strošek kapitala, merjenje učinkovitosti poslovanja.

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original scientific article

Development of regional tourism organizations: Conditions, expectations and contradictions

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Abstract

This paper discusses perceptions of quality of the destination management functions within different tourism organizations and companies in three Slovene regions. The main objective is to identify current conditions, expectations and contradictions which might slow or even stop the process of the formation of regional tourism organizations thus establishing an integrated model of destination management (DM). Two hundred-forty businesses were included in the survey, representing over half of all tourism related businesses within the area. Major conclusions are that the perceived quality of DM functions is low; expectations go for a more integrated model of DM with some contradictions. The latter are more likely related to personal (i.e. micro) characteristics of the respondents, rather than organizational (macro) characteristics.

Key words: destination management, regional tourism organizations, destination management functions, expectations, contradictions

1 Introduction

Slovenia is at the turning point from one to another strategic period of tourism development. *The Development Plan and Policies of Slovene Tourism* 2007–2011 (DPPST) was introduced in 2006; its most difficult point according to the current implementation situation was Destination Management (DM), especially where the introduction of regional levels of tourism organizations failed. Just recently, (in July 2010) the Ministry of Economy announced a 4,2 million Euro fund for the implementation of the marketing function of DM in order to boost integrated marketing actions, thus making a step towards collaboration between tourism stakeholders at local and regional levels. Many activities (e.g. meetings, forums, investment incentives etc.) were in action during recent years to boost DM implementation but with very little or no success. A great deal of guess work and speculation was made as to whether the Public Private Partnership Bill of Law will help solve the issue. However, not many joint projects in the field of DM saw the light of day. It looks as though "tourism regionalization" and the development of Regional Destination Organizations (RDO) is subject of the next strategic period (2011–2015). During the last decade the Ministry of Economy, whose responsibility is also tourism, approved approximately 140 million Euro worth of EU funds for various investments in the tourism infrastructure (Balent, 2009). The last strategic period (2007–2011) in particular focused on soft elements[1] of the destination management. Funds were granted for tourism promotion and a recent call for bids as well as for the integrated marketing of potential destinations, thus stimulating joint marketing efforts at the destination level. We believe this to be the right approach since several researchers suggested that DM implementation should be focusing on a bottom-up approach (Presenza et al., 2005; Juvan & Ovsenik, 2008; Pechlaner et al., 2009; Lema et al., 2010). However, no significant results have yet been accomplished.

The importance and role of the contemporary or integrated DM were observed by Ovsenik (2003), Howie (2003), Bieger (2005), Dwyer et al. (2009), Juvan, (2009), Molina-Azorin et al. (2010) and Žabkar et al. (2009). They all came to the same conclusion, that destinations are complex systems of functions, operations, subjects and other social, economic and environmental variables, that each needs to be observed individually in order to develop a proper destination management model. As part of the national study on potential regional destinations and the establishment of DM functions at the regional level, Juvan (2009, 56) published a book on the systematic approach towards the conceptualization and importance of DM, where DM is being explained through the process and organizational approach. As per recent research in the field of tourism development and management, at the destination level DM should include: marketing function (Konečnik, 2003; Brezovec, 2007; Sheehan et al., 2007; Angella & Go, 2009; Pike, 2009), stakeholders organization and collaboration (Sheehan et al., 2007; Beritelli et al., 2007; Shalini, 2008; Juvan & Ovsenik, 2008; Molina-Azorin et al., 2010; Bornhorst et al., 2010; Dwyer et al., 2009), monitoring over services quality and safety (Go & Govers, 2000; Gretzel et al., 2006; Žabkar et al., 2009).

The complexity and diversity of research questions, approaches, methodologies and subjects of observations thus suggest that DM functions really are important and complex areas of tourism at the destination (i.e. local or regional) level. The question under discussion here is in what circumstances or at what stage of destination development an integral approach to destination development is to be implemented. RDOs which present an institutional approach towards integrated destination management imply certain costs which can be either a public or private burden but can local government or local businesses afford such model of destination development? Successful DM depends on numerous factors, those being traditional tourism resources or specific economic, political, environmental characteristics and last but not least also the psychological and sociological characteristics of a particular geographical area (e.g. destination) (Buhalis, 2000; Bramwell, 2001; Andriotis, 2002; Bieger, 2005; Juvan, 2009), hence destinations and destination management should be observed, analyzed and developed gradually and systematically (Lazanski & Kljajić, 2006).

1 Functions of DM.

This paper discusses potential conditions, expectations and contradictions (CEC) on the integrated development of tourism to a destination which is to be coordinated and supervised by the RDO's. There are a number of variables influencing a successful model of destinations organizations, thus CEC are to be explored at the applied level with a scientific approach helping the academic and professional community to understand the general approach towards DM development and implementation.

The organizational function of destination management involves the foundation of a supply community where all suppliers, irrespective of size, type of service or delivered experience, can successfully develop their business and thus contribute to the boost of the tourism industry at their destination (Juvan, 2009, 71). There are many forms of organizing tourism at the destination level and these are subject to private and public interests (Konečnik, 2003; Getz & Timur, 2005; Raich, 2006; Dredge, 2006; Pechlaner, 2009). Effective organization is the key to the development of successful and efficient DM functions and can be public, private or a private-public organization. The latter particularly has proven it very efficient throughout years as it acts as a mediator between public and private interests (Juvan, 2009). It is known that public organizations protect the interests of the public community; however, they lack business orientation and often face huge problems in financing their activities which in the long term affects tourism and indirectly also leisure opportunities as well as the economic sustainability of the community. On the other hand, private DMO's often neglect the public interest thus affecting the quality of life of the local population (e.g. free access to nature parks, beaches, parking space availability, etc.).

2 Methodology

This study was conducted in 15 municipalities of the Podravje and 14 municipalities of the Spodnjeposavska regions. Since Slovenia has not yet introduced administrative regions, we referred to statistical regions (Statistične Regije) instead. We further speak about destinations which can be divided into Spodnje Podravje, Posavje and Zasavje. The research instrument was a traditional questionnaire with 46 variables about general attributes and opinions on destination management functions, 10 variables on perception of the actual destination management functions quality and 8 demographic variables. The test scored .934 using Cronbach's Alpha test for reliability. Without items related to financing regional destination organizations and expected benefits from co-financing, Alpha scored even higher (.95). Attributes towards and opinions on particular activities of destination management were measured on a 7 scale semantic differential, from completely individual to completely integrated. Participants were asked to decide whether a particular activity should be operated completely individually (i.e. by an individual stakeholder) or completely integrated (i.e. under regional destination organization).

Sampling data collection was done using databases of the National Chamber of Commerce, the National Chamber of Craft and Trade and web sites of each municipality (i.e. destination) where the survey was done. Sampling aimed to capture at least 51% of all tourism stakeholders which adds up to more than half. Sampling to identify the "half breakeven point" was done for each group of stakeholders, depending on organization legal status, core business activity and location, respectively. Further sampling was occasional, meaning that a hardcopy of the questionnaire was sent to 335 stakeholders identified, together with the request and instructions for participation in the survey. A self addressed, stamped envelope was enclosed in order to facilitate the return of the questionnaire. Data were collected in two rounds, first from April to June, with a 43% response rate and the second round from June till September 2010. The second round did not include sending a new questionnaire; we simply contacted respondents and asked if they would participate. Most of them replied that they had forgotten, but they would return questionnaires in next few days which they did. The final response rate reached 71% of all distributed questionnaires. Between the two rounds, some phone contact was established with potential participants to additionally explain the purpose of the survey in order to increase the response rate.

The methodological approach towards the analysis is based on identification of the quality of the DM functions, where a descriptive analysis was used. Anova test and regression analysis were used to identify contradictions in quality perception and RDO activities respectively. K-means cluster analysis was used to identify groups of stakeholders' attitudes towards destination management. For the purposes of this paper, only the quality of the DM and expectations on the role of regional destination organization is analyzed.

3 Results

Two hundred thirty-seven different tourism stakeholders were included in the survey and analysis. The majority of respondents operate in the catering field, followed by the accommodation and travel sectors. One fifth of the respondents represent small but important souvenir merchants, event organizers, and traditional food caterers which see tourism as a source of additional demand for their businesses. A little less than one fifth of the samples are civil associations whose interest is to provide and protect the natural and social environment. Considering the type of organization, we noted that over two thirds of the respondents are entrepreneurs, meaning small businesses sometimes with only one or a few employees. Especially in the case of the latter, the integrated destination management provides an opportunity for business empowerment as well as motivation, maintaining and even expanding their businesses. Another piece of pertinent information regarding the demographic profile is that half of the respondents were directors or general managers, one fifth were administrators and operational cadre, respectively. Half of the respondents have up to five, one fifth from five to ten, and one third more than 10 years of working experience in tourism.

Table 2 shows the descriptive statistic on perceived quality of DM functions within all destinations. Mean values show a rather unsatisfactory level of quality. All tested regions are considered to be less developed tourism areas where the majority of municipalities host only up to 0.4 tourists per citizen (e.g. from 0 to several hundred). Standard deviations suggest we look closely into significant differences between perceptions regarding the different functions of destination management.

Table 1: *Sample description*

	Type of the organization/ company						Total
	EN	PA	PLC	JSC	ASS	PUC	
Catering	93	2	15	0	4	0	114
Accommodation	21	1	5	0	0	0	27
Travel agency	5	3	5	0	6	0	19
Events	3	1	0	1	6	0	11
Sport, recreation, wellness, fitness	4	0	5	0	0	0	9
Transportation	7	0	1	0	1	0	9
Association	0	1	0	0	17	0	18
Craft	4	0	0	0	0	1	5
Catering & Accommodation	2	0	0	0	0	0	2
Other (e.g. vineyards, honey production, bee keeping, cheese production, etc.)	12	3	4	0	1	0	20
Total	**151**	**11**	**35**	**1**	**35**	**1**	**234**

EN-entrepreneur; PA-public agency; PLC-private limited company; JSC-joint stock company; ASS-association or club; PUC-private unlimited company

Table 2: *Condition of the quality of DM*

(1-very poor; 2-poor; 3-neither poor nor good 4-good; 5-very good)

	N	Mean	Std. Deviation
Operations	222	2.72	1.08
Organization	222	2.68	1.13
Controlling	223	2.65	1.19
Marketing	223	2.59	1.07

Table 3 shows results of the Anova test for functions and confirms that there are significant differences in the perception of the quality of DM functions at observed destinations. Irrespective of the fact that observed destinations are developing in terms of tourism and are at the same stage of destinations lifecycle, their perceptions differ. However, two out of three regions run successful spas which might indicate that the level of tourism development is different. Regression analysis was done between tourism industry indicators (independent variable) and attitudes towards the perceived quality of DM functions (dependent variables). However, no significant impacts were confirmed.

Acknowledging regression analysis results, the tourism indicators (number of visitors, overnight stays, expenditure etc.) did not impact the perception of the quality of DM. Reasons for different perceptions are hidden in other elements which might be related to the level of tourism expenditure and its distribution within the destination. Namely, we can argue that the destination Posavje creates the highest rate of tourism turnover (e.g. arrivals, overnight stays, expenditure); however the distribution of the turnover differentiates from the turnover of Zasavje and Podravje. The structure of the tourism industry of the destination Posavje is somewhat more centralized than in Podravje and significantly more centralized than in Zasavje. Posavje destination accommodates the country's largest health & spa resort which creates a good half of the overnight stays within the destination and is considered to be the biggest tourism company in the country. The Podravje region also promotes spa tourism and accommodates an important and successful spa resort. The Zasavje region is in exploration or an involvement destination cycle (Diedrich & García-Buades, 2009, 513) with a

Table 3: *Contradictions in perception of the quality of DM*

		Sum of Squares	Df	Mean Square	F	Sig.
Marketing	Between Groups	25.165	2	12.582	12.094	.000
	Within Groups	228.880	220	1.040		
	Total	254.045	222			
Operations	Between Groups	24.057	2	12.028	11.227	.000
	Within Groups	234.628	219	1.071		
	Total	258.685	221			
Organization	Between Groups	46.619	2	23.310	21.813	.000
	Within Groups	234.029	219	1.069		
	Total	280.649	221			
Controlling	Between Groups	25.897	2	12.948	9.942	.000
	Within Groups	286.516	220	1.302		
	Total	312.413	222			

Table 4: *Expectations of RDO functions*

	N	Mean	Std. deviation
Infrastructure and superstructure development (MAF)	237	2.88	0.38
Development of tourism services and products (for the entire destination) (MAF)	237	2.84	0.42
Organization and coordination of the destinations tourism branch (ORF)	234	2.81	0.46
Promotion of the region (MAF)	234	2.81	0.48
Distribution of services and products (MAF)	232	2.81	0.48
Operating and delivering tourism services and products (OPF)	235	2.81	0.45
Market and visitors behaviour research (MAF)	235	2.80	0.52
Quality control and improvements of the destination's tourism (COF)	232	2.72	0.56

Legend: ORF=organization-coordination function; MAF=marketing function; COF=control function

poor rate of tourism. According to the level of tourism development and the structure of tourism within the destination, we can identify significant differences in the perceptions of DM quality as per observed destination; hence this might be the reason for identified differences in perceptions of DM quality.

Further we display results of the descriptive analysis of expectations on DM function in the future which are the functions of the future RDO. Respondents were asked to decide how DM functions should be executed in the future by using a three point scale (1-more individually, 2 – the same as now, 3 – more integrated). As shown in Table 4, there is an obvious leaning towards a more integrated destination management which calls for the establishment of a regional destination organization. Items in Table 4 present functions of the destination management where mean values show that there is a need for a more integrated approach and considering the standard deviation values, it's quite homogenous.

Table 5 displays Anova test results for variances in expectations on DM functions between destinations. Considering that observed destinations have poorly developed rates of tourism and no regional tourism organization, there should be no significant differences on DM functions; however there are some in the area of how destination should be organized and coordinated, how tourism products and services (e.g. daily excursions) should be operated and executed and who should be responsible for the integral tourism services and product development (i.e. integral supply).

Table 5: *Contradictions on expectations of RDO functions*

		Sum of Squares	df	Mean Square	F	Sig.
Organization and coordination of the destinations tourism branch	Between Groups	1.457	2	.729	3.590	.029
	Within Groups	46.889	231	.203		
Operating and delivering tourism services and products	Between Groups	1.598	2	.799	4.139	.017
	Within Groups	44.785	232	.193		
Development of tourism services and products (for the entire destination)	Between Groups	2.023	2	1.012	5.836	.003
	Within Groups	40.559	234	.173		

Table 6: *DM functions expectation clusters*

(1- more individually, 2 – the same as today, 3 – more integrated)

	Clusters		
DM VARIABLES	K1	K2	K3
Organization and coordination of destinations tourism branch (ORF)	2.49	2.97	1.93
Promotion of the region (MAF)	2.35	3.00	2.00
Distribution of services and products (MAF)	2.58	2.96	1.67
Operating and delivering tourism services and products (OPF)	2.49	2.96	2.00
Development of tourism services and products (for the entire destination) (MAF)	2.53	2.99	2.00
Quality control and improvements of the destination's tourism (COF)	2.49	2.87	1.80
Market and visitors' behaviour research (MAF & COF)	2.37	2.98	1.93
Infrastructure and superstructure development (MAF)	2.74	2.99	2.00

Legend: ORF=organization-coordination function; MAF=marketing function; COF=control function

An in-depth analysis of the impact of tourism organization characteristics (e.g. number of employees, revenues, type of organization, major branch, education, experiences, etc.) shows no significant impact on perceptions of DM functions and their implementation. The climate towards DM implementation (thus the establishment of RDOs) depends more on the tourism profile of the destination which was indicated by the results in Table 3. The initiating point of the analysis is that the current organizational structure of Slovene tourism and tourism of the observed destinations, follow characteristics of the contemporary integrated destination management. Nevertheless, the analysis showed that some companies are satisfied with the current situation. Cluster analysis initially looking into three clusters shows that there is a cluster of opponents to any changes (K-1) and a cluster of promoters of integrated DM functions (K-2), but there is also a cluster which inclines towards a more individual or further disintegrated model of DM (K-3).

4 Conclusions

This paper discusses conditions, expectations and contradictions related to the functions of the regional destination management organizations. The major issue with that is the nature of such organizations' activities and administration which impose an additional financial burden on the tourism industry and the public budget. Underdeveloped tourist destinations with a disintegrated industry demand more integrated and coordinated actions, thus an RDO is needed. The expectations of developing and developed destinations are moderate. At destinations such as Posavje, Zasavje and Podravje, there is an existing need for a coordinated destination management which demands more than just coordination of marketing activities. The Slovene Ministry of Economy announced a major project related to co-financing destination marketing activities with the intention of boosting coordinated and integrated destination marketing activities and initiating the process of founding RDO's. There are obvious issues related to the establishment of RDO's because there are only a few examples of their successful development in Slovenia. Problems and challenges might be in the opposite perceptions of the need for such organizations and their activities and by tourism suppliers who happen to be users of the RDO's services.

Results show that destination marketing mix which falls under destination marketing function presents the most important element of the destination management under RDO's. A successful RDO provides high quality services for all functions of the DM, so if one function is not sufficient all should be of lower quality. Generally speaking, there is a low perception of the current quality of the DM functions at observed destinations with minor differences per destination. In general, the stakeholders demand a more integrated approach; however there are some differences in the organization and coordination of the destination's tourism branch, operating, delivering tourism services and products and development of those (for the entire destination). There are three clusters of suppliers according to their support towards integrated destination management. K1 cluster suggests that things should be a little more integrated as they are now, whilst K2 suggests that things should be the same as they are now. K3 cluster demands improvements in terms of integrations.

Bornhorst et al. (2010, 572) found out that the success of a destination is considered differently than the success of the integrated destination management. In their survey among Canadian tourism managers they found that DMO's success depends on relations with suppliers, effective management, strategic planning, organizational focus and drive, whereas destinations success depends on tourism resources (e.g. location, accessibility, products and services etc.). The authors suggest that DMO's should focus on establishing good collaboration among tourism stakeholders and should operate their functions (marketing, development, and control) in an effective and strategic manner. Our survey used the same prerequisites and revealed that despite the somewhat equal destination effect, the need for a more integrated destination management, perceptions and views over activities of the DMO's differ among destinations, hence a customized DMO model should be implemented.

The major question which needs to be addressed is the roles of the destination stakeholders in the development of integrated DM. Small tourism areas in particular develop a rather disintegrated (unprofessional) approach towards tourism which results in ineffective marketing and management processes, thus consuming too much money and time. Slovenia implemented a model of integrated destination management in 1998 which resulted in a number of local destination organizations throughout the country; however being public agencies, thus operating on a limited public budget, they were neither productive nor effective. It might be that there is now a lack of trust among the private sector for integrated destination management and the role of RDO'S within. Every RDO is considered as additional (redundant) mediator within marketing and management process which causes extra expenses for the private sector that must financially contribute to their operations. Public sector approach towards destination management is primarily sustainable (environment, economy, culture), hence the economic impacts are not their primary concern. The latter is not the case with the private sector which must observe financial (economic) objectives; hence contradictions on expectations might also appear here. The economic benefits of tourism focus on income and industry growth which might impose a negative impact on the quality of the local environment (i.e. social, natural, etc.), thus private-public approach for the RDO seems to be the right approach (Presenza et al., 2005; Bornhorts et. al., 2010).

The analysis revealed that the stakeholders' attitudes towards integrated destination management differ. Destinations are at different level of tourism development (destination lifecycle). However, the tourism indicators (e.g. arrivals, overnight stays and expenditure) showed no significant impact. So the impact might be the type of the distribution of tourism benefits and the tourism businesses structure. It is important to mention that none of the observed destinations have a modern destination organization (e.g. DMO, DMC, RDO) even though there is both a need and demand for it. The major contribution to the knowledge of this discipline is that there is evidence that the distribution of tourism income among destination's stakeholders and the initial organizational structure (depending on stakeholders' structure) of tourism influences opinions and attitudes of stakeholders towards integrated destination management.

Further research should look into the impacts of the management characteristics (e.g. education level, knowledge and experiences etc.) of a particular business within the destination on the perception of DM functions or on the other hand the impact of the destination success (determined through arrivals, income, overnight stays etc.) on the perception and satisfaction of stakeholders with the destination management under regional destination organizations.

Razvoj regionalnih turističnih organizacij: pogoji, pričakovanja, protislovja

Povzetek

Prispevek razpravlja o percepciji kakovosti funkcij destinacijskega menedžmenta (DM) v organizacijah in podjetjih s področja turizma v treh slovenskih regijah. Njegov glavni namen je analiza izhodiščnega stanja, pričakovanj in protislovij, ki otežujejo oblikovanje integrativnega modela DM. V raziskavo je bilo vključenih 240 podjetij, kar predstavlja dobro polovico vseh registriranih podjetij s področja turizma oziroma sorodnih panog v obravnavanem območju. Glavne ugotovitve analize nakazujejo, da je percepcija kakovosti funkcij DM slaba, pričakovanja so usmerjena bolj v integriran model DM, obstajajo pa tudi določena protislovja. Ta so povezana z osebnimi lastnostmi (mikroelementi) anketirancev, ki so v 60 odstotkih primerov vodilni kader podjetij. Ni pa povezave med identificiranimi nasprotji in značilnostmi organizacij oziroma podjetij (makroelementi).

Ključne besede: destinacijski menedžment, regionalne turistične organizacije, funkcije destinacijskega menedžmenta, pričakovanja, protislovja

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original scientific article

Enhanced teaching of word combinations in tourism study programmes in Slovenia

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Abstract

The paper reports on a research into teaching English with special attention to word combinations recently conducted at the Faculty of Tourism Studies in Portorož, Slovenia. The study involved two groups of students studying English as a foreign language. We aimed to find out whether enhanced teaching of word combinations influences students' test results in general language tests. While the control group was taught with no special attention paid to word combinations, the experimental group received a considerable amount of exercises and the students were constantly reminded of the importance of word combinations in the English language. Both groups were tested at the beginning and end of the academic year with two tests, the Oxford Placement Test and the Test of English for International Communication and students also had to fill in Common European Framework Self-assessment Forms. The data analysis indicates that the experimental group scored better results.

Key words: teaching English for specific purposes, language of tourism, word combinations

1 Introduction

Common European Framework of Reference for Languages: Learning, teaching, assessment - CEFRL (2001, 44) claims that teachers and authors of course books should first analyse the needs of their students and answer the following questions: what will their students be using the foreign language for, what do they have to study in order to be able to use the foreign language for this purpose, and in the first place, why do they want to study the foreign language? The answers introduce us to the language for specific purposes, in our case the language of tourism. Students of tourism need to be proficient in several foreign languages. In Slovenia, they are expected to be able to communicate with tourists from the neighbouring countries in Italian, German, and perhaps also Hungarian and Croatian. However, since Slovenia as a tourist destination attracts also tourists from other countries, the English language tends to be spoken as a lingua franca. Apart from that, English is constantly used in international business communication, therefore, students need to be proficient in English as well.

1.1 Vocabulary

Despite the fact that many authors consider vocabulary, particularly specialist vocabulary, a key element of English for specific purposes (ESP), vocabulary studies appeared to have been somewhat neglected in ESP. In the past in many cases lists of terms for particular specialist areas were compiled, but it was later recognised that such lists had limitations. Nation (2001, 13) divides vocabulary into four levels: high frequency words, academic vocabulary, technical vocabulary and low frequency words. High frequency words are the most frequent 2000 words of English and may be called general service vocabulary since they are used no matter what the language is being used for. Academic vocabulary is common to a wide range of academic fields and is not typically associated with just one field. Technical vocabulary consists of technical words occurring frequently in a specialised text or subject area. It is of particular interest to those working in a specialised field. The fourth level of vocabulary consists of all the remaining low frequency English words.

Robinson (1991, 28) speaks about three levels of vocabulary. The first level of ESP vocabulary is specialist vocabulary which comprises words occurring in one scientific area. Practitioners generally agree that this level is not the one to focus on in a foreign language classroom. The second level of ESP vocabulary is often referred to as semi-technical and includes words from a number of scientific areas. It consists of items necessary for discussing the research process as well as for analysing and evaluating data, whatever the academic discipline. Practitioners generally agree that this level should be taught in an ESP course. The third level is general and non-academic vocabulary, English central to any general course.

However, some authors think (Dudley-Evans & St John, 1998, 50; Alexander, 2007, 209) that to say the teaching of specialist vocabulary is not the responsibility of the ESP teacher and that priority should be given to the teaching of semi-technical or core vocabulary is to oversimplify it. While they generally agree that teaching specialist vocabulary should not be the responsibility of the ESP teacher, they also point out that in certain specific contexts it may be the duty of the ESP teacher to check that learners have understood technical vocabulary appearing as carrier content for an ESP exercise. They consider it necessary to ensure that learners have understood the technical language presented by a subject specialist or assumed to be known by a subject specialist.

No matter how we divide vocabulary and how we define the vocabulary of a particular field, the majority of ESP teachers would agree on the fact that we would like to teach students the vocabulary they will need when they start working in the field they are currently studying.

Successful retrieval of a vocabulary item from memory can be aided by the grouping of words according to their meaning, either according to topic (situational sets) or chains of association (semantic sets). Learners should be encouraged to build their own sets. The development of the corpora of specific texts (Gledhill, 2000, 120ff) has provided the opportunity to draw up lists of key lexical items in a general context as well as in specific disciplines. In this way we may also examine lexical sets or families of words, the members of which collocate with each other and avoid unnaturalness of the word combination.

1.2 Word Combinations

Cowie (1998, 57) explains that phraseology is the study of the nature and distribution of words that are not completely free in combination. There is strong evidence that phrasal items of various sorts account for the larger proportion of words in much of language production and therefore constitute a significant proportion of a speaker's vocabulary.

Sinclair (1991, 109) speaks about two principles of language organisation. The first one is the *open choice principle* or *slot-and-filler principle*, where a sentence is built word by word according to grammatical rules. For instance, the sentence *she gave me a …* can be finished in different ways, *she gave me a sign/letter/book*. The second is the *idiomatic principle*, where a sentence cannot be built word by word due to the fact that some words will occur together and some will not. In order to build a correct sentence word combinations have to be taken into account. For instance, the sentence *I wanted to present...* cannot be finished by adding *some insight*, for the simple fact that the expression **to present some insight* is unacceptable in English. Native speakers of English will say either *to offer an insight* or *to present findings*.

Research into vocabulary learning (Nattinger & DeCarrico, 1992, 20ff) has also suggested that learners do not store vocabulary as individual words, but as chunks of language also referred to as lexical phrases. They are short sets of phrases that are frequently used in communication. In ESP such phrases can provide learners with valuable vocabulary and improve their language competence.

There are many different word combinations, collocations are one of them and are very common in the English language. The definition of collocations sometimes varies from author to author, but they are usually described as loosely fixed and semantically transparent word combinations. Benson (1997, XVff) writes that a grammatical collocation is a phrase consisting of a dominant word (noun, adjective, verb) and a preposition or a grammatical structure such as an infinitive or clause. For example, *blockade against, a pleasure to do, an agreement that, by accident, angry with, necessary to do*. Grammatical collocations are more deterministic and more often found in dictionaries. Lexical collocations are more problematic for non-native speakers and also more difficult to find in dictionaries. They consist of different combinations of nouns, adjectives, verbs and adverbs. For example, *come to an agreement, reject an appeal, strong tea, alarms go off, a swarm of bees, deeply absorbed, affect deeply*.

In the introduction to the *Oxford Collocations Dictionary* (2002, VIIff), Diana Lea defined collocation as the way words combine in a language to produce natural-sounding speech and writing. She sees word combinations ranged on a cline from the fixed and idiomatic, such as *not see the woods for the trees*, to collocations, such as *see danger, see reason, see the point*. She adds that the collocationally rich language is also more precise. It should be emphasized that learning collocation does not necessarily mean learning new words. It is about putting together the words learners may already know.

Collocations, word combinations whose meaning is in most cases transparent, should not cause many problems for non-native speakers when translating from English into their mother tongue (decoding). However, the same cannot be said for translating from the non-native speaker's mother tongue into English (encoding). If we use a wrong collocation in English, it does not necessarily cause a communication breakdown. The message may get across, but native speakers may find the way the words were put together unusual, inappropriate or humours. The correct use of collocations may be a very thin line non-native speakers have to cross to become fully proficient speakers of English, but needless to say this line is very difficult to cross. For instance, Slovene speakers of the English language will make the mistake **to be interested for* because of the

* indicates wrong usage

collocation in the Slovene language - they automatically translate the Slovene preposition into English. In a way, the Slovene collocation misleads them into using the wrong preposition in the English collocation. Many Slovene speakers of English will, for the same reason, say **sea fruit* instead of *sea food*, **with big speed* (*at high speed*), **lie on the sun* (*lie in the sun*).

In order to avoid such mistakes, speakers of the foreign language should be made aware of word combinations and the problems they might have in the process of encoding, that is translating from their mother tongue into a foreign language.

2 Outline of the course

The Faculty of Tourism Studies, Portorož, Slovenia, offers a three-year course at a tertiary level which involves studying two or three foreign languages. The major language, in this case English, is studied for three years. Since English is taught in most primary and secondary schools in Slovenia, the majority of students will choose English as their major language. Due to the fact that first year students come from different types of secondary schools their knowledge of English varies accordingly. While some of them are fluent in English and have good language skills in terms of speaking, writing, listening and reading, some others may still be struggling with basic structures when speaking and even more in writing. The first semester of the first year is spent revising basic structures of the English language. A general English course book (Broadhead, 2000, 6ff) is used and additional literature is recommended to students who encounter difficulties. In the second term ESP (in this case the language of tourism) is introduced using the course books written for students of tourism (Čeh, 2003, 6ff; Čeh, 2007a, 6ff). They offer texts on tourism introducing the topic to a non-specialist and consolidate the basic structures students learned in the first term. Many students are successful when learning the essentials of the foreign language, but later on they find themselves on a plateau unable to make any further progress. The reason for the plateau is frequently their inability to use appropriate word combinations. Students may have a very good knowledge of English words, but at the same time they are unable to put them together correctly and appropriately. This was the reason for more attention paid to word combinations and as well for the introduction of word combinations, mostly collocations, in the second year (Čeh, 2006b, 6ff) and in the third year (Čeh, 2009, 6ff). It seems necessary for an English teacher to react to wrong word combinations used in the classroom by giving suggestions which word combinations should be used instead. There are numerous suggestions for teaching collocation currently available (Lewis, 2000, 6ff; Woolard, 2004, 4ff; McCarthy & O'Dell, 2005, 6ff; McCarthy & O'Dell, 2008, 6ff).

With word combinations that are semantically transparent it can be noted that problems usually occur in the process of encoding, translating from one's mother tongue into a foreign language. In the process of decoding, translating from a foreign language into the mother tongue, much less problems will occur for the above mentioned fact that word combinations are semantically transparent. Examples of students' collocation mistakes were collected during English lessons as well as in the papers students handed in. By doing so, a considerable amount of collocation mistakes that had been made in the process of encoding were collected and as such they may be considered typical of Slovene speakers of English as a foreign language studying tourism. This was the quality that is frequently missed in otherwise perfect English course books. Most of them are written for all nationalities of students learning English, but for none of them in particular. A recently published course book may include a lot of word combinations, but maybe none of those that Slovene speakers of English find problematic. Such words have already been collected (Gabrovšek, 1998, 112ff; Čeh, 2006a; Čeh, 2007b, 161), but it may be considered an invaluable advantage to have a list of word combination mistakes made by students of tourism. In this way it was possible to write special word combination exercises for students of tourism. After several generations of students being taught word combinations systematically it seemed necessary to measure the result of the teaching.

2.1 Background school of thought

When reading the research report on the strategy for learning idioms called etymological elaboration (Boers, Demecheleer & Eyckmans, 2004, 6ff) one comes to realise that foreign language learners may be helped in various ways when learning word combinations. Although the research carried out at the Faculty of Tourism in Portorož did not include idioms as such, it was nevertheless obvious that students need to be encouraged to pay attention to chunks of language, in our case word combinations. One of the ways to do so is reminding them of the fact that word combinations are the most important part of the English vocabulary and that by learning whole word combinations they will have whole chunks of language ready to be used in communication. It is useful to help them with additional exercises encouraging them to deal with the word combination mistakes they tend to make in the language production process.

3 Selected details from the research

Due to the fact that the research was meant to investigate the influence of enhanced teaching of word combinations on general language test results, the following procedure was adopted. There were two first-year groups of students, the control and experimental, 30 students each. Both groups consisted of mixed abilities students and were taught by the same teacher. The control group students were taught with no special attention paid to word combinations. In the first term the general English course book (Broadhead, 2000, 6ff) was used and in the second term the course books introducing the language of tourism (Čeh, 2003, 6ff; Čeh, 2007a, 6ff). Although the experimental group students were using exactly the same course books, from the very beginning they were weekly given additional material with word combination exercises. Some of them were chosen randomly from different sources and mainly included word combinations relevant to the language of tourism. Simultaneously students were given also exercises written on the basis of collected word combination mistakes made by themselves and their colleagues in the process of studying English at the faculty. It may be concluded that the majority of those mistakes may be considered to be typical of Slovene speakers of English as the most probable reason for making a particular mistake is obviously literal translation from Slovene into English. Students consequently received the feedback and were at the same time encouraged to use the correct word combinations in their oral and written communication. The purpose of this activity was not necessarily to teach students particular word combinations, but primarily to raise their awareness of the importance of learning word combinations.

The typical exercise given to students would have been of the following type:

Fill in the blanks.

I'd like to introduce you to my friend who studies with me because she is interested ______ catering. She is good ______ combining recipes which are typical ______ the different regions in our country. She is also aware _______ the different needs of our potential customers who might be allergic ______ a variety of ingredients. She considers herself fortunate because she is married ______ a chef who works the same unsociable hours as she does. How they spend their free time depends ______ the season. They are both keen ______ outdoor activities, in the winter they go cross-country skiing and in the summer diving.

The exercise includes the collocations often problematic for Slovene speakers of English, since in the process of encoding they tend to translate literally from Slovene into English and for this reason make the following mistakes: **interested for*, **good in*, **typical for*, **allergic on*, **married with*, **depend of*. The rest of the phrases were introduced for the reason that students frequently use the wrong preposition.

The second type of exercise would have been of the following type:

Is there a better way of saying it?

The Slovene coast is very short and heterogeneous.

In Ankaran you can lie on the sun on a sandy beach.

The next part lies by a traffic road.

Cars rush by with a big speed.

There is also a path for cyclists and rollers, but it is unpleasant because of the noise and smoke.

For the same reason you will not enjoy having a bath in the sea.

After Izola the coast becomes more interesting.

There is no road, it is very quiet.

The cliff is steep, you can see different layers of earth.

In the vicinity of Strunjan they grow sea shells.

I think the water must be very clean there.

In Fiesa you can see something very strange.

Right next to the sea there is a small sweet water lake.

There is also a small camp place if you do not want to stay in the hotel.

Portorož attracts a lot of young people and also a lot of gamblers.

It offers rich night life.

In Seča you can see how they produce salt in salt pools.

There are also many plants and birds that you cannot see very often.

In the text there are a lot of wrong word combinations (**lie on the sun*, **a traffic road*, **with a big speed*, **have a bath in the sea*, **sweet water lake...*) and most of the mistakes may have been made under the influence of the Slovene language for the obvious reason that students were translating literally from Slovene into English. Students were asked to correct the text by using collocation dictionaries or any other source available to them. However, the suggestions for a better way of saying it offered in the key of the course book used by the students were prepared in cooperation with a native speaker of English.

At the beginning and end of the academic year, two tests, the *Oxford Placement Test (OPT)* and the *Test of English for International Communication (TOEIC)*, were applied in both groups. Both of them may be considered to be general English tests, although the second one was often used for professional purposes. In the former, 21 out of 200 questions may be considered to be of collocational nature, although they are difficult to define due to the generally acknowledged fuzzy criteria for different word combinations. In the latter, out of 200 questions 14 are considered to be of a collocational nature. In order to complement the results of the two tests mentioned with the students' own perception of their knowledge, the students were asked to evaluate their knowledge of English at the beginning and end of the academic year by filling in self-assessment forms from the *Common European Framework of Reference for Languages: Learning, Teaching, Assessment* (2001, 231–243).

Table 1: *OPT in both groups*

	OPT total
A–C	161
%	104.0
+/- %	4.0
B–D	-243
%	94.8
+/- %	-5.2

Table 2: *TOEIC in both groups*

	TOEIC total
A–C	11
%	100.3
+/- %	0.3
B–D	-94
%	97.9
+/- %	-2.1

The results in the control group are labelled with letters A and B (A-beginning and B-end of the academic year), and the results in the experimental group with C and D (C-beginning and D-end of the academic year).

The selected data illustrate that the students of the control group had an advantage over the students of the experimental group at the beginning of the academic year in both tests (the result A–C in Table 1 for OPT and the result A–C in table 2 for TOEIC). In spite of this advantage of the control group at the beginning or the academic year, the experimental group was better at the end of the academic year (the result B–D in table 1 for OPT and the result B–D in Table 2 for TOEIC).

Since we wanted to find out how both groups of students performed just in parts of the two tests where they had to deal with word combinations, those parts of the tests were singled out as it has been mentioned before.

The self assessment test was included in the research out of curiosity in order to find out how students assess their own knowledge of the English language and whether the results of self assessment compare with the results of the two tests used in the research. The self-assessment results show that the students from the control group had a very high opinion of their knowledge of English at the beginning of the academic year (result A for different skills). At the end of the academic year the students from the control group were not as sure of their knowledge of the language skills in listening and reading, in other skills their self assessment was either the same or slightly improved (result B for different skills). The students from the experimental group were less self-confident than the students from the control group in all language skills at the beginning of the academic year (result C for different skills).

Table 3: *Word combinations in both tests in both groups*

	OPT	TOEIC	Total
A–C	17	15	32
%	105.1	106.2	105.5
+/- %	5.1	6.2	5.5
B–D	-13	-3	-16
%	96.8	99.0	97.7
+/- %	-3.2	-1.0	-2.3

Table 3 illustrates that the control group scored better results at the beginning of the academic year in word combinations in both tests (A–C in OPT and TOEIC). However, the control group was outperformed by the experimental group at the end of the academic year in both tests (B–D in OPT and TOEIC).

However, their perception of their knowledge improved by the end of the academic year in all areas (result D for different skills).

4 Discussion

At the beginning of the first academic year at the tertiary level we may not be fully aware of how much the knowledge of English varies from one student to another. Not only that they come from different secondary schools, but also their attitude to learning foreign languages might differ significantly. Many of them do not have any work experience and may not be aware of the importance of foreign languages in tourism. Others may have had some experience working in travel agencies or hotels and are well aware of the fact that they are studying the foreign language

Table 4: *Self-assessment in both groups*

	LISTENING	READING	SPEAKING-INTERACT.	SPEAKING-PRODUCT.	WRITING	AVERAGE
A	4.10	3.80	3.63	3.43	3.37	3.67
B	4.03	3.77	3.63	3.67	3.47	3.71
+/-	-0.07	-0.03	0.00	0.23	0.10	0.05
C	3.60	3.57	3.13	3.17	3.07	3.31
D	4.00	3.87	3.80	3.70	3.10	3.69
+/-	0.40	0.30	0.67	0.53	0.03	0.39

in order to be able to use it at work as well as in their private lives.

Since English is already taught at primary and secondary school level, students come to our college with certain learning habits and they have already adopted some learning strategies (Jurković, 2007, 283ff). It proves to be difficult to convince them that not all language skills may be improved solely by reading foreign language texts. Especially when written communication should be learned they tend to be reluctant to start writing in order to improve their writing skills. It has been noticed that younger generations of students enter the faculty with considerably better speaking skills, but unfortunately with increasingly worse writing skills. The problems some of them may have are further compounded by lack of vocabulary, particularly the lack of the language of tourism vocabulary. They may well be familiar with everyday spoken language, but considerably less with formal expressions used in specialised texts.

As it has already been mentioned, the control group performed better in both tests at the beginning of the academic year. Students from this group also had a better opinion of their knowledge of English. However, the experimental group outperformed them at the end of the academic year in both tests, but they did not become as self-confident about their knowledge in all language skills. Unfortunately, the factors influencing the self-assessment results were not researched and may only be speculated about. One of them may have been the awareness of the type of the secondary school students from the group in question had finished. Namely, in Slovenia it is widely believed that students coming from other secondary schools rather than grammar schools are at a certain disadvantage. Since in the control group there were more students who had finished grammar school, they may have been more self-confident generally speaking. Unfortunately it could not be statistically proved.

The fact that the students from both groups scored different results in each of both tests may be explained in the way that each test is different. In the OPT test, there are different types of exercises, 10.5% of them are word combinations. Although the advantage of the control group at the beginning of the academic year was considerable, they were outperformed at the end of the academic year by the experimental group. The same may be said about word combinations since the control group was better at the beginning, but worse at the end of the academic year in this part. In the TOEIC test, 8% of exercises are word combinations. The test results at the end of the academic year show the same, namely the experimental group outperformed the control group. It has to be added that the test results of most students from both groups were in the region or approaching the level of the First Certificate Examination at the beginning and approaching the level of Certificate in Advanced English at the end of the academic year. If the results are mapped on the *Common European Framework* levels (Tannenbaum & Wylie, 2004), most TOEIC results are at or above the B1 level which is important for the professional use of the language.

It may be concluded that enhanced teaching of word combinations did improve the test results in the experimental group. Nevertheless, there are still numerous questions to be researched and answered. The authors who looked into the problem of teaching word combinations (Bahns & Eldaw, 1993, 102ff; Lewis, 2000, 7ff; Brown, 1994, 24ff; Shei & Pain, 2000, 168ff; Nesselhauf, 2003, 224ff; Gitsaki, 1996, 6ff) each of them pointed out different problems students might come up against in the process of learning them. One of the questions still calling for an answer is how exactly non-native speakers learn word combinations. Some authors think we have to encounter a word combination up to seven times in order to remember it and after a considerable span of time to be able to retrieve it. It may be true, but I hasten to add that to remember a word combination we most probably have to come across a word combination in different activities, receptive and, even more importantly, productive. I tend to believe that non-native speakers also have to use word combinations in the encoding processes in order to remember them and be able to retrieve them later.

Another question that each foreign language teacher intending to teach word combinations has to answer at the beginning is which word combinations we should teach. Is it those that are most common in a foreign language, those that are most useful for our students, or those that a certain group of speakers, for example, Slovene speakers of English, find most difficult due to the fact that they are structurally or semantically different from collocations in their mother tongue? This is still to be found out. In our research we opted for the word combinations students of tourism used wrongly in their language production.

5 Conclusion

Hopefully, there will be more and more research into teaching and learning word combinations and teachers will be well provided with all the necessary information to make decisions before starting to teach them to their students. Nevertheless, in my opinion it is important that teachers continue to research what the results of their teaching are and in this way assist their students to improve their language skills.

Intenzivno učenje besednih zvez na turističnih študijskih programih v Sloveniji

Povzetek

Članek ponuja rezultate raziskave poučevanja angleškega jezika, ki je usmerjena posebno v besedne zveze. Pred kratkim je bila izvedena na UP Turistici – Fakulteti za turistične študije v Portorožu, Slovenija. Vanjo sta bili vključeni dve skupini študentov, ki sta se učili angleškega jezika kot tujega jezika stroke. Želeli smo ugotoviti, ali je intenzivno učenje besednih zvez v tujem jeziku mogoče opaziti na rezultatih v splošnih testih znanja tujega jezika. Kontrolna skupina je med predavanji delala po ustaljenem programu brez dodatnega učenja besednih zvez. Nasprotno pa je bilo v eksperimentalni skupini študentom skozi vse študijsko leto ponujeno več različnih vaj z besednimi zvezami. Prav tako se je v tej skupini nenehno govorilo o tem, kako pomembne so besedne zveze v angleškem jeziku. V obeh skupinah je bilo izvedeno testiranje na začetku in koncu študijskega leta s testoma Oxford Placement Test in Test of English for International Communication. Študenti so morali izpolniti tudi lestvico za samooceno v Common European Framework Self-assessment Forms. Analiza rezultatov je pokazala, da so bili rezultati v eksperimentalni skupini boljši.

Ključne besede: angleški jezik kot jezik stroke, učenje tujega jezika, jezik turizma, besedne zveze

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A view from practice / Pogled s prakse

Innovation of business culture with the aim of developing Croatian tourism – case study of Valamar Hotels & Resorts[1]

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Abstract

Croatian tourism must apply a new concept of development in order to transform natural resources (comparative advantages) into a competitive tourism offer based on innovation. The ultimate goal of this is to multiply profit and sustainable growth. The main impetus for development is the intellectual capital and new system of values based on knowledge and an individual approach to each customer.

The education of a new generation of managers is the prerequisite for the development of tourism on the macro and micro level. The new managers should be able to anticipate and actively design the future and bring about changes. It no longer suffices to be up to date with the demand and follow the competition. Instead, one should introduce new content in order to achieve a leading position. Employees must aim towards self-realisation in order to make their company more competitive. It is necessary to constantly educate employees, introduce cross training techniques, authorisation in order to establish an organisation which is able to learn and thus advance.

The importance of business culture is shown in this paper using the positive example of the development of the Croatian hospitality management company (Valamar Hotels & Resorts) based on management of knowledge and learning culture.

Key words: business culture, learning organisation, intellectual capital, Croatian tourism, Valamar Hotels & Resorts

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1 Introduction

Croatian tourism is facing a crossroads between existing offer of mass tourism based on natural resources and an aspiration towards innovation of a tourism product adapted to modern tourists in times of recession. Leading Croatian hospitality management companies (Valamar Hotels & Resorts, Adris Group) have recognized the importance of business culture for the development of and success in the competitive game with foreign multinational chains (Sheraton, Hilton, Le Meridien, Kempinski, etc.).

Business culture should motivate employees in their self-fulfilment and permanent education so as to generate and valorise intellectual capital into the permanent qualitative advancement and innovation of all segments of offer. It no longer suffices to direct change but to be ahead of change, to anticipate the future and valorise opportunities for multiplying profit.

2 Competitiveness, goals and strategies for the development of Croatian tourism

Croatian tourism is qualitatively lagging behind leading receptive tourism countries. There is no adequate valorisation of natural resources. An insufficiently distinguished development is the result of inadequate offer structure, questionable quality of service, lagging behind European and world trends of development, inappropriate organisation, lack of standardisation, no application of ecological regulations; the list could go on. The contemporary condition is referred to in numbers of realised tourist arrivals and nights spent (there is a smaller decrease in number of tourist arrivals in times of recession as compared to neighbouring competitive countries), invested financial means into advertising and other activities aimed at attracting a large number of tourists, whereas crucial indicators are not shown: realised financial results and qualitative analysis of contemporary state.

Croatian tourism is still lacking a developmental concept (the Ministry of Tourism is drafting documents for tourism development intended for 2025). There is no system of quantitative and qualitative goals nor is there a defined strategy for synergic action and qualitative response to new tourism trends and the challenges of a recession. Croatian tourism is left to the forces of nature. It has to resort to improvisation and individual business activities that are trying to lead offer out of uniform and mass tourism and turn to new, more propulsive and innovative solutions. There is no goal segment nor an integrated product of destination that could valorise natural features of all regions and prolong the season. Contemporary tourism does not acknowledge unified solutions; moreover, each destination has to continuously and qualitatively improve the offer based on originality, innovation, authenticity adapted to the target niche market. It is important to achieve synergy of localisation and globalisation, i.e. to turn one's tradition, culture and other autochthonic values into uniqueness that will be recognized as such on the market.

The main goals of the new concept for the development of Croatian tourism based on intellectual capital are (Stipanović, 2006, 239):

- Innovation of tourism offer based on high quality entertainment industry, versatile contents, implemented trends from the European market with an emphasis placed on autochthonic values and the socio-cultural dimension. It is necessary to define the target segment and to use proactive marketing in order to adapt to future tourism needs so as to be competitive.
- Creation of a unique identity that will show advantages of the Croatian offer and repositioning in the consciousness of potential tourists as an elite destination adapted to the needs of contemporary guests.

Current tourism trends and the promotion of character and uniqueness should be adopted in order to achieve effective development. The vision should be based on valorisation of competitive advantages, autochthonic values, differentiation of offer, originality of content, creation of events and manifestations, creative improvement of offer (accommodation offer, catering services, selective and new forms of offer, affirmation of animation and events), affirmation of ecology and sustainable growth.

It does not suffice to take over other solutions and follow demand and offer trends, but the priority is to anticipate changes and actively design future using one's creativity, imagination and the generation of new ideas in creating new contents and events based on original solutions. Simultaneously, one needs to develop new, alternative forms of offer within the Mediterranean surrounding which will be different from the competition on the market with the maximum valorisation of existing resources and in accordance with financial possibilities. It is necessary to form a synergy with all offer carriers (re-conception of development of hospitality management companies), local population and the management organisation of the destination for creating an integrated product of the destination in order to achieve excellence.

The development of Croatian tourism on all levels depends upon a change in the system of values and business culture that must define the culture of continuing education, knowledge and change and must be oriented towards the satisfaction of each tourist.

3 New system of values for qualitative transformation of Croatian hospitality management companies

Business culture is a constituent part of general knowledge and the system of values of the society as a whole (Žugaj, 2004, 5). Business culture represents a multidisciplinary concept expressed in a number of views of the organisational life, style and behaviour and interaction among employees. It includes norms, principles, system of values, perceptions, behaviour types, and rules of the game, ways of managing, relationships among employees, expectations and understanding of employees, motivation of employees… It represents a mental state and quality of behaviour of all subjects involved in a business (Bogdanović, 2010, 197).The aim of business culture should be that of implementing the concept of development. The system of values requires a collective action of all participations in order to contribute to the development of the company. Employees must believe in the vision of the company, the creativity of management which should be based on knowledge, not power, and which should aspire to self-realisation (highly demanding jobs, participation in decision making and creating the concept of development, possibility of creativity and innovation, career planning, achieving excellence, self-direction) as the highest level of Maslow's hierarchy of needs (Stipanović, 2009, 118).

Business culture provides an impetus for positive competition in order to diversify the company as opposed to a surrounding where everyone is in fear of losing their job. The difference between successful and less successful companies lies in subjective factors (employees) and system of values (business culture). The business culture of successful companies defines following determinants (Bogdanović, 2010, 207):

- Strategic orientation towards human resources;
- Immediate acceptance of changes;
- Participatory, democratic management;
- Developed non-formal communication and minimal hierarchy
- Team work and decision-making;
- Strong and clear vision, enthusiasm;
- Extraordinary achievements, constant improvements;
- Thrust, value-orientation and positive interaction with co-workers, company and stakeholders.

"Extraordinary companies do not believe in perfection – they believe in constant improvements and changes". (Peters & Waterman, 2008, 35) The crucial problem remains how to stir up change and establish a new way of thinking and business making in current inert and slow companies, how to introduce dynamic change in companies since only change and innovation can guarantee survival and development. Business culture and the system of values as part of internal surrounding of the company are closely linked to organisational resources (man and information being the most important resources) and organisational structure. The goal is to transform the existing inert, vertical and rigid organisational structures into fluid; dynamic horizontal structures adapted to projects and enterprise processes which enable authorisation and active inclusion of all employees into the company's business policy. The contemporary company is transforming from a company based on functions into a company based on business processes. Business processes consist of expedient activities performed by a group of people with a clearly set process goal which is directly connected to the organisation of a modern company (Dulčić, 2010, 77). Business culture sets a new paradigm of directing employees based on the authority of knowledge and learning. The employees' contribution is then to a concrete value, i.e. the value that the tourist can concretely identify.

Business culture is seen as a creative culture within a company; a culture of innovation and orientation towards creative thinking of all employees. It inspires freedom of thinking and an atmosphere of new ideas and knowledge. It sets new criteria of evaluation and motivation for employees, emphasising loyalty and sense of belonging to a company. The authorisation of employees is also emphasised, which means that employees are the ones who will be making decisions and implementing the best solution according to their views and intuition. The idea behind this concept is an immediate and qualitative response. Employees who are in direct communication with tourists are to find out about possible problems and to solve them immediately using their knowledge, competence and cross training skills. The new business culture is based on dynamics, changes, transformation and qualitative innovation. New ideas are needed for the development of a company. These ideas must be understood by each employee (making employees participate in the concept of development). Such activities will enable employees to achieve their own self-realisation within the framework of the company's success. Business culture aspires to individual learning of each employee and defines new conscience in which priority is given to applied knowledge. The new business culture also defines a new, personalised customer relationship (CRM), trying to satisfy every particular need of the customer. It furthers social responsibility of the company towards the social community, encourages sustainable growth in symbiosis with other offer carriers.

Restructuring and reengineering of the company are also part of business culture. This refers to relinquishing negative aspects such as arranged economy and establishing a new style of management and doing business. Intellectual capital and information as the most important resources in the market game are at the same time given importance and they are used to form a new quality of the tourism product.

4 Intellectual capital as an impetus for the development

Intellectual capital represents a dynamic concept, a strategic orientation and an imperative for the company in generating new knowledge and activities so as to establish knowledge as the main resource of contemporary hospitality management. It represents the overall knowledge, information, technology, intellectual rights, experiences, organisational learning, competences, CRM, communications and brands within a company (Steward, 1997, 27). It marks the essence of the company which needs to be constantly renewed and supplemented with new ideas and knowledge, creativity and invention in order to make the business better. It is based upon research and development, a generation of new ideas, the affirmation of creativity and invention so as to improve the business. It refers to the overall knowledge of employees creating a new value that is confirmed on the market. Knowledge management is concretized on four levels: innovation, speed of response, productivity, and education.

Intellectual capital and the knowledge of the 21st century should be applied in practice in generating new trends and solving concrete situations. New knowledge is being multiplied rapidly (the amount of information doubles every two years), thus a company cannot survive on the market if the management and its employees do not follow changes. Permanent education of all employees and managers is the basis of an organisation which learns and which can actively affirm settings of business philosophy of the future. Knowledge should not remain on the level of scientific discussions without a concrete application, but must grow into intelligent knowledge. One cannot be competitive with a century old and outdated system of knowledge.

Each company should be facing the future and learning continuously, by implementing existing and acquiring new knowledge with the aim of satisfying more developed hospitality management companies. As much as 90 per cent of Croatian companies believe and point out that business education is an important component for achieving competitiveness, only 33 per cent of the companies apply the same (questionable validity of the survey), unlike developed countries where all companies have recognized the importance of real (not only declarative) investment into personal intellectual capital. Only 0,5 per cent of the GNP is invested in Croatia into the development of science, whereas developed countries set aside more than 3 per cent of their GNP into the development of science.

It is precisely the development of intellectual capital and research that represent the only possibility of reducing the gap of Croatian economy and tourism at the macro and micro level with the more developed competition. The significance of intellectual capital and new business culture will be shown using the example of Valamar Hotels & Resorts.

5 A positive example of the new business culture based on learning – Valamar Hotels & Resorts

Valamar Hotels & Resorts is a hotel and resort management company, operating accommodation units (hotels, apartments and camps) for companies Riviera Poreč, Rabac, Dubrovnik-Babin Kuk and Zlatni Otok based on a management contract. It is the leading Croatian hospitality management company, operating 40 properties situated on the Adriatic coast (23 hotels, 8 apartment villages, 9 campsites), with major presence in two major tourist regions in Croatia – Istria and Dubrovnik.

The new business culture of Valamar Hotels & Resorts is based on a culture of learning, the aim of which is to create and direct changes. A business culture should motivate employees to achieve self-realisation and to be involved in permanent education so as to create, evaluate and transform intellectual capital into permanently qualitative advancement and innovation of all segments of offer.

A dynamic company has two alternatives: it can either disappear or it can undergo changes in order to succeed (Thurow, 1995, 47). The innovation process includes constant changes as a result of learning, as well as permanent learning as a means of introducing new innovations. The main aim of Valamar Hotels & Resorts is to grow into an intelligent business and a learning organisation. For that purpose, the new culture of learning and knowledge (key criteria) are a necessity.

Business culture and the on-going education of all employees have greatly contributed to the leading position of the company. In the managing strategy of human resources, Valamar aspires to be one of the most wanted and attractive employers on the Croatian and international market (in 2008, Valamar was declared the best Employer Partner in Tourism, and takes the fifth position of the best Employer Partners in Croatia) – for their 2800 employees, and for all potential employees. Through education and training, employees are able to gain experience and to professionally develop in all business aspects. Stays or work in one of company's destinations or a similar company abroad are organised while the work segment is always the one where the employee can contribute best according to his/her professional and personal qualities. Personal affinities are also taken into account which additionally impacts on the motivation of the individual employee. Permanent development in professional knowledge, communicative and management skills are required at all times through tailored training programmes, as well as all forms of personal growth and development.

The HR strategy in Valamar includes: management, leading and supporting the corporate vision and mission of a leading tourism group.

In order to ascertain the new business culture which is based on knowledge, the following activities were introduced in the period from 2005 to 2011 (Valamar documentations):

- Strategic employment: the stipend programme included 119 pupils of high hospitality and tourism schools, while 43 interns were included in business, who went through elaborated one-year programmes, while special attention is given to employment of seasonal employees.
- Establishing the Valamar Academy: it supports continuous professional development and life-long learning of the potential within Valamar, thereby preparing them through education programmes and vigorously supported by mentors to take over more complex jobs and higher responsibility in the Valamar Group. The principal aims of the Valamar Academy programmes are as follows: educating attendees who, in the period of 3-5 years, can take over responsible functions (assistants to directors, directors, department heads etc.) and the development of the mentor system (the Valamar Academy is comprised of a team of 15 mentors). The following programmes are differentiated: the Valamar Academy for future hotel/object directors (duration: 24 months – out of 24 programme attendees, 14 have successfully completed the programme, while 7 are still in the process) and the Valamar Academy for future department heads in the following departments (duration: 12 months – out of 47 attendees of the department head programme, 33 have successfully completed the programme, while 13 are still in the process): reception, housekeeping, kitchen and restaurant. An individual development programme is prepared for each attendee of the Valamar Academy, based on attendee's previous work experience.
- The Master Educational Plan (MEP) – HR sectors of Valamar have designed the master educational plan for all companies managed by Valamar, using the bottom up principle. The plan goals are as follows: to identify educational needs, to instigate department heads to participate in the development of training programmes and thus impact change within their scope of work, to develop standardised educational programmes, to promote life-long learning in tourism with an emphasis on professional and personal development of each employee. Within the Valamar Group, 25,000 training hours are realised annually in which over 1,000 employees participate. The Master Educational Plan of the Valamar Group includes the following training categories: professional education and training (education types which depend on the specifics and requirements of each department), special knowledge and skills (foreign languages, IT skills etc.), personal growth (communication skills, management skills, proactive sales skills etc.), and various trainings (participation in congresses, study trips etc.).
- Train the Trainer – the 5-year programme targeted at hotel directors, department heads and attendees of the Valamar Academy for future hotel/object directors and department heads. The programme was implemented in 2007, aiming at its completion in 2011. Valamar develops internal trainers aiming at improving the quality of work, knowledge and skills and decreasing the cost of organising external trainings. It affords specific methods and procedures in organising internal training in the following areas: introduction to work, workplace training, professional education. In 2010, the Train the Trainer programme became part of the Valamar SOP (Standard Operating Procedure). As of today, 101 group employees have successfully completed the programme.
- Managing the effects and the award system – managing all aspects of work through clear communication of goals and desirable behaviour on the part of employees, improving work efficiency by developing required employee knowledge and skills and instigating an increase in results. It simultaneously measures, analyses and compares results in the area of finance, the quality of permanent clients, quality appraisals by the guests/clients, the implementation of standard operative procedures and in the area of corporate culture and climate, as well as systematically builds up other forms of awards. During the high season, the campaign for Employee of the Month was supported, the aim of which is to motivate employees to

constantly improve their work efficiency in relation to a set criteria. The individual effect must be recognised and praised, not merely by the superiors but by other colleagues and guests as well. In 2009, out of the total of 2,515 employees included in the campaign, 531 were awarded Employee of the Month. Furthermore, Valamar, through life-long learning, also promotes awards that include personal and professional training, participation in different seminars, workshops and congresses and supports employees when enrolling in postgraduate programmes. Finally, Valamar also awards special recognition to individual and teams for excellence and exceptional achievements in the past year during the annual group meeting, thereby nourishing the importance of awards and motivating employees as well. Special attention is given to different forms of awards and employee motivation so 2005 saw the development of the Effects Management System for key positions within the Valamar Group: hotel directors, sales managers etc. During 2006, the Effects Management System was expanded to middle management while it is still being developed and includes an ever increasing number of employees.

Working in the Valamar team today means working in a dynamic environment full of challenges, in which each individual gives his/her best. Every new day brings new situations and actual challenges and constant interaction with a large number of people. There is no success in tourism unless every team member is facing towards a common goal and this goal is primarily customer satisfaction. This company is therefore pronouncedly oriented to teamwork; cooperation, readiness to change and dedication to a fast-growing company are exceptionally appreciated. The Valamar manner of doing business recognises but also affords numerous opportunities to those proactive, result oriented and those that accept the challenge and assume responsibility. The success of the Valamar Group can be seen in its satisfied guests, motivated employees, business goals, etc. (Poslovni i financijski portal, 2010).

Permanent orientation towards the culture of knowledge, new system of values based on learning (high level of management knowledge) and tourists (customers) offer possibilities for the development of Valamar and companies and realising competitive advantages based on excellence on a more turbulent 21st century tourism market, which has been additionally challenged by the global recession.

6 Conclusion

Croatian hospitality management companies must establish a new business culture and system of values based on research, knowledge, changes, innovation with the aim of anticipating the future and valorising opportunities in dynamic surroundings. Recent research and analysis of actual situation indicate that Croatian tourism enterprises and Croatian tourism are not able to neglect the consequences of the former system and the mass tourism paradigm. The authors' research emphasises that defining a new system of value and knowledge affirmation (the example of Valamar Hotels & Resorts) is the only guarantee for qualitative transformation of Croatian tourism and profit multiplication (the correlation between investment in intellectual capital and improving the business results). (Re)conception of development based on knowledge and information offers the biggest possibility of success in searching of qualitative answer of risks and uncertainty.

The new business culture has to encourage companies to transform qualitatively in order to implement the concept of development and valorisation of intellectual capital for solving concrete problems today and tomorrow in a more dynamic surrounding. It creates a motivational atmosphere of learning in order to overcome the old-fashioned knowledge that slows down these changes as well as to encourage new cognition and innovation.

It inspires a new generation of management based on the authority of knowledge; establishes a motivating competition among employees, new strategic orientation (CRM, benchmarking, business intelligence, reengineering) in order to set up an organisation which learns and to organise an intelligent company. Investment into knowledge at all levels represents the most important and profitable investment and the only guarantee of success on the turbulent tourism market.

Inoviranje poslovne kulture z namenom razvoja hrvaškega turizma na primeru Valamar hotels & resorts

Povzetek

Da bi hrvaški turizem svoje bogate naravne vire (komparativne prednosti) spremenil v konkurenčno prednost, mora uvesti nov koncept razvoja, temelječ na inovativnosti. Končni cilj tovrstnega razvoja je povečevanje dobička in trajnostna rast, njegovo glavno gonilo pa intelektualni kapital in nov sistem vrednot, temelječ na znanju in osebnem pristopu do vsakega gosta. Izobraževanje nove generacije menedžerjev je predpogoj za razvoj turizma na makro- in mikronivoju. Novi menedžerji morajo prepoznavati in aktivno oblikovati prihodnost ter spodbujati spremembe. Ni več dovolj, da podjetje izpolnjuje želje trga in sledi konkurenci: če želi zasedati vodilna mesta v svoji panogi, mora stalno uvajati nove vsebine. Zaposleni lahko pomagajo k večji konkurenčnosti podjetja s tem, da stremijo za samouresničevanjem. Pomembno je stalno izobraževanje zaposlenih in uvajanje različnih izobraževalnih tehnik, s čimer podjetju omogočimo, da se uči in napreduje. V članku je prikazana pomembnost poslovne kulture s pomočjo primera dobre prakse turističnega podjetja Valamar, ki temelji na menedžmentu znanja in izobraževalni kulturi.

Ključne besede: poslovna kultura, intelektualni kapital, hrvaški turizem, Valamar Hotels & Resorts

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National mechanism for spurring innovation in Slovenian tourism

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Abstract

Innovation has been part of tourism since its beginnings but only recently has it attracted the attention of researchers and policy makers. In Slovenia a national mechanism has been developed to spur innovation in Slovenian tourism. The story began in 2004 with the Sejalec Award (Slovene for "sower"), an award for creative and innovative tourism achievements that contribute to the recognition of Slovenian tourism, continued with Bank of Tourism Potentials in Slovenia (BTPS) in 2006, Snovalec (Slovene for "creator"), financial support for inventive tourism ideas in 2009, and Innovative Slovenian Travel and BTPS Challenges in 2010. Numerous awards, including those of UNWTO and the European Commission prove that mechanisms for development and promotion of innovation in Slovenian tourism are heading in the right direction.

Key words: tourism innovation, innovation systems, tourism policy

1 Bank of tourism potentials in Slovenia

Bank of Tourism Potentials in Slovenia (BTPS) was established in 2006 as a joint project of the Slovenian Tourist Board, the Directorate for Tourism at the Ministry of Economy and the University of Primorska, the Faculty of Tourism Studies Turistica. Its initiator, Dejan Križaj, suggested developing a national mechanism to spur innovation and increase the innovative potential of tourism in Slovenia.

Fig. 1: *www.btps.com*

BANK OF TOURISM POTENTIALS IN SLOVENIA
Slovenian Tourist Board

The main goal of BTPS is to connect various actors who can contribute to a faster and more efficient exploitation of R&D opportunities in Slovenian tourism on all levels. Networking occurs at www.btps.si. All registered users can submit their ideas for new tourism products, services, prototypes ... as "idea deposits", and their financial, material and/or labour resources as "energy deposits" on-line and free of charge. All deposits are revised by Bank Council.

In the first four years of the Bank's operation, 240 ideas, 39 energies, 273 news and 82 knowledge deposits were submitted – 50 of the idea and energy deposits were already realized. Over 66.000 visits and over 260.000 page views were recorded. Approximately 750 users were registered in recent months and over 700 friendship requests were accepted on Facebook.

The quality of the project was recognised by various national and international institutions, including UNWTO (the Ulysses Award for Innovative Tourism Achievements, 2009), the European Commission (best practice in the European Year of Creativity and Innovation, 2009) and the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments (best practice at the 2010 5th Slovenian Innovation Forum).

2 The Sejalec

Two years earlier, in 2004, the Slovenian Tourist Board organized the Sejalec competition for the first time, seeking the most innovative and creative tourism achievements in Slovenia. The Sejalec rewards successful tourism innovations or well planned and successfully executed new products and improvements that contain the elements of the applicant's originality, systematic business thinking and high quality promotion of Slovene tourism. The main aim of the Sejalec is to spur creativity and innovation on an entrepreneurial level, in destinations, tourism associations and in the marketing of tourism products.

The Sejalec competition runs annually. The selection procedure takes place in several phases. Pre-applications are first completed and the best applicants (as selected by the jury) are invited to send in more detailed presentations later on. Among these, semi-finalists are selected. Field trips are organized for the jury in order to personally meet the semi–finalists and to experience their tourism services. The following criteria are taken into account when selecting the winners: innovation development; innovation marketing and monitoring; innovation results. Winners of the Sejalec competition are announced in November/December at the annual Slovenian tourism conference.

The first Gold Sejalec award was won by the Celica Hostel Ljubljana in 2004, followed by Terme Čatež Thermal Riviera and Cycling around Panonske Terme (2005), Kekčeva Domačija Farmhouse and Sloveniabike.com (2006), Passenger Terminal Koper (2007), Igloo Village Krvavec (2008), Centre of Culinary Arts - Taste Slovenia (2009) and Bohinj Park ECO Hotel in 2010.

Fig. 2: 2010 Gold Sejalec- Bohinj Park ECO Hotel

3 The Snovalec

While the Sejalec rewards existing and realized tourism innovations and while BTPS encourages idea e-flow, energy deposit the Snovalec (first introduced in 2009) supports realization of promising tourism ideas. The Snovalec spurs creativity, inventiveness and innovation in tourism by promoting and bringing tourism inventions to life that will eventually grow into tourism innovations. The Snovalec is a BTPS energy deposit with € 40.000 fund contributed by the Directorate for Tourism at the Ministry of Economy in cooperation with the Slovenian Tourist Board.

The Snovalec selection procedure is similar to that of the Sejalec. The Bank Council selects the most promising idea deposits submitted to the Bank by its users in the course of one year. The best applicants are invited to fill in a more detailed form. Based on these, finalists are selected. Finalists meet the jury in person and are asked to present their ideas in 20 minutes. The following criteria is taken into account when selecting the winners: invention potential, plan of realization and expected results.

The first Snovalec competition winners, announced in December 2009, were asked to bring their ideas to life by November 2010. We are happy to say that two ideas were realized in the first call - photographer tours Adriatic2alps.com and a floating water apartment. In 2010, four new ideas were financially supported and by November 2011, we expect the following tourism products to be developed in Slovenia: The Academy for Young Tourism Journalists, Istrian Houses, Innovative Pension Renovation, and Glamping ECO Village.

4 BTPS Challenges

In 2010, a new service called BTPS Challenges was added to the existing BTPS initiatives for innovative tourism. BTPS Challenges is a web-based crowdsourcing competition where real-life problems of Slovenian tourism facilities are solved by an undefined group of people through an open call.

The first challenge was set by the Slovenian Tourist Board and it was organized in cooperation with the Challenge: Future initiative. C:F is an open world-wide youth competition that showcases creative youth, their high potential and ability to foresee the future. The aim of the challenge titled "Give me three days of GREEN sLOVEnia" was to design a trip within Slovenia with the principles of responsible travel and eco-tourism in mind. The proposed trip had to last three days and should not cost more than 500 Euros. The winner, Canadian Adam McRae, won a trip around Slovenia for two, according to his winning proposal "Natural Phenomenon". His impressions from the extended trip can be read at http://btps-travel-logs.blogspot.com/.

The premiere challenge was followed by a set of challenges focusing on "Innovative Marketing for Green Tourism". Seven real-life marketing problems of Slovenian tourism businesses were published in summer 2010 and 25 solutions from three countries were submitted. The winning solutions were presented at a workshop at the 17th Golden Drum International Advertising Festival in Portorož, Slovenia. The event co-organized by the University of Primorska, Faculty of Tourism Studies and Faculty of Management was attended by over 100 participants.

5 Innovative Slovenian travel

Individual tourism products which are new and different can in themselves be a great inspiration as to where to go travelling in Slovenia. In order to make things easier for those looking for the full story about a different kind of Slovenian tourism, as part of the activities in the Bank of Tourism Potentials in Slovenia project, we have invited the participation of winners from the past public Sejalec and Snovalec competitions. We have asked them to make up from the mass of award-winning innovative products the first series of tourist packages offering a composite experience of innovative Slovenian tourism. These packages last from one to seven days, and cost from just under EUR 40 to over EUR 400, and cover several Slovenian regions. We are certain that through them you will sense the winds of change bringing a new freshness and new ideas about the direction in which Slovenian tourism can still develop.

6 Good practices

In order to see the reflection of theory in practice, last year's winners of the Sejalec competition are presented on the following pages. Due to the high quality of applications, four Sejalec winners were announced; one Gold, one Silver and two Bronze. Have a look at how these innovative Slovenian tourism products came to life.

6.1 2010 Gold Sejalec - Bohinj Park ECO Hotel

Slovenia has a long lasting tradition as far as environmental protection is concerned. One of the most obvious study cases for this is Bohinj Glacial Valley located in Triglav National Park. Such delicate surroundings put pressure on tourism development in general; soon the only possible form related to this particular area will be sustainable tourism or even merely its most distinguished form – ecological tourism.

Bohinj Park ECO Hotel (www.bohinj-park-hotel.si) was built with highest awareness of the environment and is as such currently one of the most advanced and energy efficient hotels in central Europe. In May 2010 it officially became the first ecological resort in Slovenia to be given the prestigious Green Globe certificate. From its very beginning in June 2009, Bohinj Park ECO Hotel has been devoted to environmental issues. The Green Globe recognition, which is the result of a highly regarded and selective certification process, is an epic benchmark in the Hotel's steadfast effort to build itself as a responsible tourism destination. This achievement signified the Hotel's environmental orientation and proved to the public as well as to guests and personnel, the seriousness of sustainable initiatives and the need for their further development.

The ecological hotel continually puts new ideas into practice. In the beginning of February 2010, it became the first Slovenian hotel with an electric filling station for hybrid and electric cars. The filling station is located in the hotel garage area. Guests who drive electric cars are free to use it without charge. This is another attempt of boosting green, sustainable tourism values in the Bohinj region. The hotel also encourages guests to use public transport by offering extra discounts for guests travelling by train or bus, rental bicylce, etc.

At the 2010 Golden Drum Marketing Festival a workshop on innovative marketing for green tourism was given which introduced collected and specifically noted ideas prepared by potential tourists on the basis of challenges brought to the public by tourist suppliers, agencies or individual entrepreneurs. The Bohinj Park ECO Hotel published five innovative challenges. Hotel Director Anže Čokl took this opportunity to announce his stand on the project: "Businesses and economy sectors whole-heartedly endorse youth potential in Slovenia, knowing that applied knowledge presents an individual's added value. Such challenges and practical assignments promote the personal and professional growth of our students."

In February 2011, hotel management received the Conventa Academy Innovation Award on account of its initiatives in the area of congress tourism. It is the only establishment which offers the possibility of sustainable events organisation in broad south-eastern Europe. Wholesome, socially responsible, eco-friendly alternatives for business meetings is becoming not merely a trend but a mainstream feature which signifies the importance of Mr. Čokl's "green vision", aiming to conserve the fragile nature of our planet on an international level.

The Bohinj Park ECO Hotel therefore not only represents one of Europe's most advanced ecological properties but it also aims to set general foundations of sustainable development in Slovene tourism. The 2010 Gold Sejalec Award, an annual recognition from the Slovenian Tourist Board is therefore well placed in this unique long-term, grand and promising investment.

6.2 2010 Silver Sejalec - Vineyard Retreats

Slovenia has been enriched with a new, unique and attractive tourist product called "Turizem v zidanicah" (Vineyard Cottage Tourism, http://www.zidanice.si/), which is meant for tourists who are looking for authentic

Fig. 3: *2010 Silver Sejalec - Vineyard Retreats*

and genuine tourist arrangements, for some peace and quiet and a chance to relax in the countryside. Vineyard Cottage Tourism was developed for visitors seeking an active vacation experience, including hiking, cycling, horseback riding and boating, admirers of natural and cultural heritage, visitors who enjoy culinary and gastronomic diversity, and people who enjoy going to traditional ethnological and other types of events.

Vineyard cottages are a unique feature in the winegrowing region of Posavje which includes the winegrowing districts of Dolenjska, Bela Krajina and Bizeljsko-Sremič. Nowhere else in the world can you find this many vineyard cottages, wooden wine storage rooms and wine cellars grouped together in such a small area. All these structures stand on the edges of vineyards in splendid locations which offer lovely views. The agricultural part of the vineyard cottage is represented by the authentic wine cellar; the living quarters on the ground floor consist of a kitchen, toilet, bathroom and sleeping quarters. The vineyard cottages are fully fitted with modern equipment and provide visitors with everything they need for a pleasant vacation.

The road to realization of this project was a long one. It took many steps and a lot of enthusiasm. The road was paved by the Kompas Travel Agency Novo Mesto (www.kompas-nm.si) which currently markets the product. Most importantly of all, legislation needed to be changed since previous legislation did not allow tourism activities to take place in vineyard cottages. A list of providers was then compiled and workshops were organized in order to ensure the necessary standards, arrange the necessary documentation and operation licences, and Tourism in Vineyard Cottages Consortium was set up. Facilities needed to be categorized and the model of a scattered hotel was set up. It was necessary to link up with other tourism services in the region. Last but not least, promotional and marketing activities were developed, including visual image, manual, catalogues, and the website.

The product was given the Sejalec award since it represents a unique accommodation service on a global scale. The project contributes to the preservation of the cultural landscape (preventing the neglect of vineyards). The project initiators came up with new accommodation facilities without the need for major investment. They were the first in Slovenia to develop the model of the scattered hotel and were able to link up the tourism services of the entire region. They try to follow the guidelines for green, eco-friendly tourism, promoted by the Slovenian Tourist Board and are managing to transform idle capital into a profitable business.

6.3 2010 Bronze Sejalec - A Taste of Heritage

The Rogatec Culture, Tourism and Development Institute manages the Rogatec Open-air Museum (http://www.muzej-rogatec.si/), a state-owned cultural monument and a monument of national importance which was nominated for the European Museum of the Year in 1997. In 2006, the Institute took over the management of other important cultural monument in the city, the Renaissance Baroque Strmol Mansion which is owned by the Municipality of Rogatec.

Maintaining the restored heritage is not nearly enough to preserve it; for its long-term survival - both in a spiritual and economic sense - the heritage urgently needs interpretative displays and satisfied visitors. Most visitors have no previous knowledge about the site and without some interpretive direction, they are not able to "read the heritage" or stories told by individual architectural elements and exhibits. If visitors are offered the chance to experience what has been forgotten or to gain new insights about themselves, about the society and the environment

Fig. 4: *2010 Bronze Sejalec - A Taste of Heritage*

in which they live, in their sub consciousness, their attitude towards heritage/history will become more positive. They will only return to the museum if this becomes their need. And today's modern man needs inter/action and a(ttra)ction!

Rogatec's long-term vision is to develop cultural and "green" tourism with a view to preserve heritage and ensure sustainable development of the entire region. The stories of heritage - handicrafts, customs and habits – are the main thread and the basic "material" that is used to fill four separate program formats: an ethnographic demonstration, an educational workshop, an experiential workshop and productive activity/sale in the museum shop.

This methodical organizational model can be filled with a random number of additional or new stories of heritage that have been connected into a comprehensive cultural tourism program named "A Taste of Heritage". The interpretation of heritage takes place with minimal verbal interpretation: the visitor himself uncovers the story using all his senses, experiencing his own experience of history in accordance with his own desires, needs and the expectations of a modern person.

The so-devised cultural tourism program is expected to have a number of benefits, yet it also triggers some additional synergetic effects. The basic methodical organizational model provides a flexible range of attractive cultural tourism programs adapted to the needs of visitors. The quality of the programs is assured by trained mentors/demonstrators/guides who lead the programs. As the only open-air museum in Slovenia with such a permanent offer of adventure programs for visitors, the media finds them very appealing. The advantages and innovation of the "A Taste of Heritage" program was noted by the Slovenian Tourist Board which awarded the program the 2010 Bronze Sejalec award.

6.4 2010 Bronze Sejalec - Roman Games

Two thousand years ago the Romans knew how to treat the body and spirit. Already then, people were aware of the beneficial effects of Roman baths. It is precisely this sybaritic spirit of ancient Rome transferred into modern times and adapted to modern man that accompanies and pleases visitors of Terme Ptuj (www.terme-ptuj.si). The youngest Slovene thermal spa centre was in fact built on the site where the destiny of Roman emperor was decided in 69 AD. Nowadays, to be successful in the extremely competitive tourism market, it is of crucial importance to produce original and attractive products not only to convince guests but to make them enthusiastic about them.

Innovation is one of five key values which guided Terme Ptuj where a new success story in tourism has started with the Grand Hotel Primus. A unique tourism product in Slovenia was designed in an innovative way based on the rich history of the oldest town in Slovenia. The story of ancient Rome and the Romans is present in every segment of the tourist offer proposed by Terme Ptuj, and Roman games are just one important element which effectively sustains the "Roman story".

With the objective of deeply involving Roman cultural heritage in the tourist offer, Terme Ptuj established links with numerous associations and organised groups from Ptuj and surroundings. The project of the revitalisation of Roman heritage thus connected the various elements and agents and at the same time offered a wonderful opportunity to the region (which is mostly known for its winter carnival) to promote itself in other seasons as well. The main objective of the project "Innovative Revitalisation of Roman Heritage" is networking of the company Terme Ptuj as one of the most prominent providers of tourist services in the entire area with associations engaged in the preservation of cultural heritage.

Fig. 5: *2010 Bronze Sejalec - Roman Games*

The project called "Roman Games in Terme Ptuj" has been on-going since 2008 and has been an important element in the so-called Roman story. Every August, Ptuj symbolically again becomes the ancient Roman town Poetovium which used to be an important military and commercial centre. A procession, winding along the streets of the old town core, groups more than one thousand participants dressed up as the Romans of different social levels – senators, soldiers, gladiators, ordinary citizens, priestesses and Vestals, slaves, Celtic soldiers... The varied programme of Roman games in 2010 was the work of more than 35 organised groups from Ptuj and its surroundings. Thus the basis has been set for regional cooperation, communication and partnerships among numerous providers of tourist services, tourism, cultural and other organisations and clubs. Last year several ethnographic societies from other Slovene regions and from other countries (Austria, Croatia and Serbia) joined the project. The games were attended by approximately 30,000 visitors. This well-established tourist product was awarded a 2010 Bronze Sejalec for its innovativeness.

Nacionalni mehanizmi za spodbujanje inovacij v slovenskem turizmu

Povzetek

Inovativnost je s turizmom povezana že od njegovega pojava, vendar je šele v zadnjem času pritegnila pozornost raziskovalcev in turistične politike. V Sloveniji je bil z namenom spodbujanja inovativnosti slovenskega turizma uveden ustrezni nacionalni mehanizem. Zgodba se je pričela leta 2004 z razpisom Sejalec, ki nagrajuje ustvarjalne in inovativne dosežke, v letu 2006 nadaljevala z Banko turističnih priložnosti Slovenije (BTPS), nato s Snovalcem, finančno spodbudo za inventivne turistične ideje, v letu 2009 in Inovativnimi slovenskimi potepanji ter BTPS izzivi v letu 2010. Številne nagrade, vključno z nagradama UNWTO in Evropske komisije, dokazujejo, da mehanizem za spodbujanje in promocijo inovativnosti v slovenskem turizmu napreduje v pravi smeri.

Ključne besede: turistična inovativnost, inovacijski sistemi, turistična politika

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Journals

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Dwyer, L. (2006). Assessing the economic impacts of events: A computable general equilibrium approach. *Journal of Travel Research, 45*(1), 59–66.

Papatheodorou, A., Rosselló, J., & Xiao, H. (2010). Global economic crisis and tourism: Consequences and perspectives. *Journal of Travel Research, 49*(1), 39–45.

Chapters in Books

Bruland, K., & Movery, D. C. (2006). Innovation through time. In J. Fagerberg, D. C. Mowery, & R. R. Nelson (Eds.), *The Oxford handbook of innovation* (pp. 349–379). Oxford: Oxford University Press.

Rossi, T., & Cassidy, T. (in press). Teachers' knowledge and knowledgeable teachers in physical education. In C. Hardy, & M. Mawer (Eds.), *Learning and teaching in physical education*. London: Falmer Press.

Chapters in Published Books of Conference Proceedings

Volo, S. (2004). Foundation for an innovation indicator for tourism: An application to SME. In P. Keller, & Th. Bieger (Eds.), *AIEST 54th Congress: The Future of Small and Medium Sized Enterprises in Tourism Vol. 46* (pp. 361–376), St. Gallen, Switzerland: AIEST.

Theses

Sedmak, G. (2006). *Pomen avtentičnosti turističnega proizvoda: primer destinacije Piran. ["The importance of the authenticity of the tourist product: the case of destination Piran." In Slovene].* Unpublished doctoral dissertation. Ljubljana: University of Ljubljana, Faculty of economics.

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