

CHAPTER 6

DESTINATION STRATEGIC DIRECTION AND POSITIONING

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CHAPTER 6

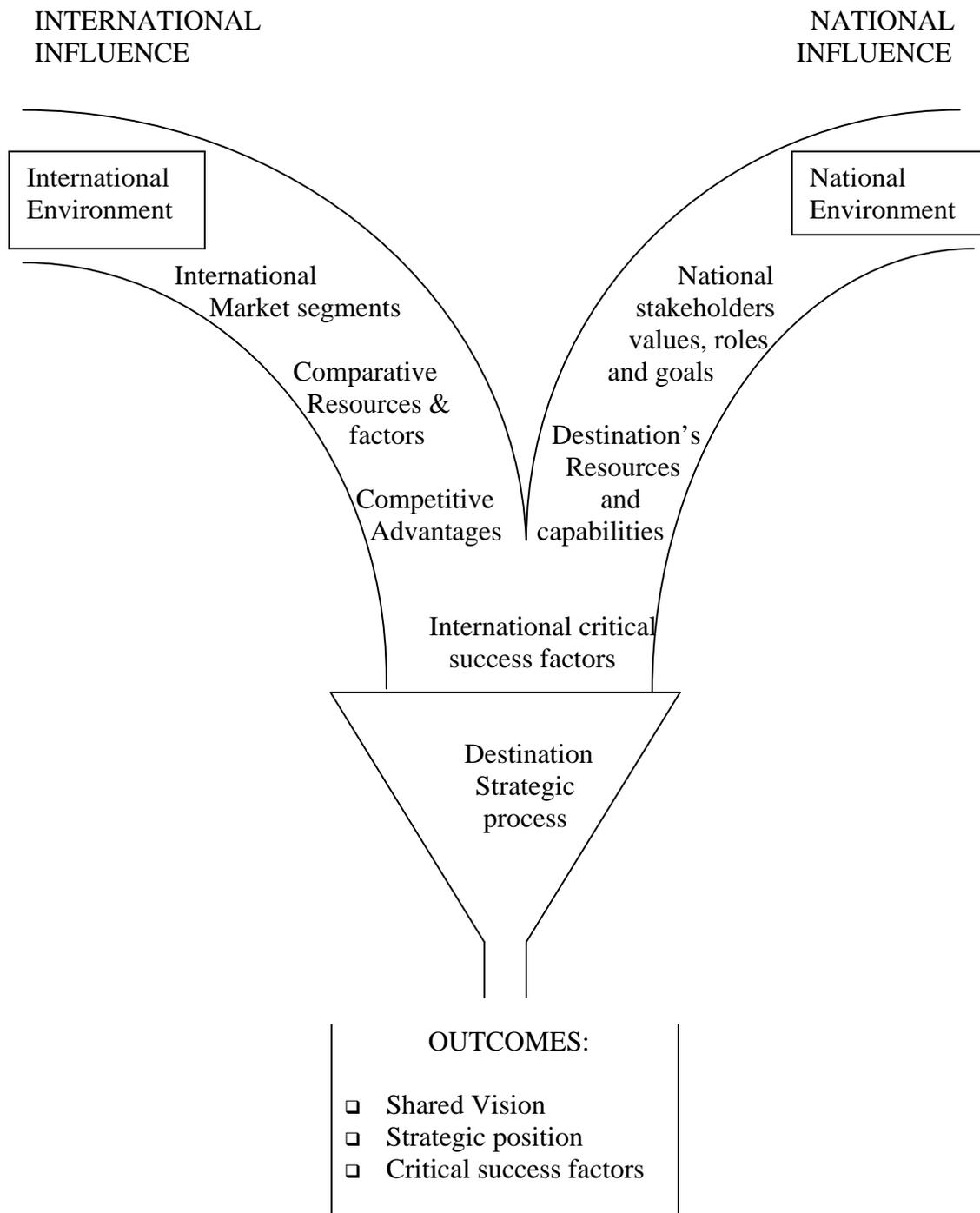
DESTINATION STRATEGIC DIRECTION AND POSITIONING

6.1 INTRODUCTION

The Strategic Management Model developed in Chapter 4 consists of three main components: international competitive assessment, destination strategic direction and positioning and critical success factor identification and integration. The previous chapter examined the international competitive assessment to determine success factors and comparative and competitive advantages of the destination compared with other international destinations. The purpose of this chapter is to investigate how the destination will decide on its strategic direction and positioning and how this process, as well as the outcomes of the international competitive assessment will influence the identification of critical success factors at the destination level.

In the strategic planning context it is important to be clear about the relationship between the vision of the destination and its strategic position and critical success factors. The destination strategic management process will be influenced by international as well as national strategic factors that could impact on the competitive advantage of the destination [as shown in Figure 6.1].

Figure 6.1 Main streams of influence on the destination strategic process



Source: Researcher's own construction

The international factors that were identified in Chapter 5 are future market segments, comparative advantages, competitive advantages and international critical success factors. The national factors that will be discussed and analysed in this chapter are

national stakeholder values, roles, vision and overall strategy as well as the internal strategic capability of the organisation.

Determining the strategic direction of the destination will be discussed first. This section will be introduced by an analysis of the tourism stakeholder's influence on the strategic direction of the tourism destination. Visions, strategies and critical success factors grow out of and reflect the shared vision and values of the most important stakeholders. Unless the overall direction has been clarified, there is no purpose identifying critical success factors and strategies. This process is articulated in the formulation of a shared vision for the destination.

The next part of the chapter will examine the strategic positioning of the destination. A holistic approach will be followed by identifying how the destination will effectively compete in the marketplace as well as developing the critical resources, competences and capabilities that are needed to achieve sustainable competitive advantage.

The last part of the chapter will indicate, in the form of a framework, how critical success factors for the destination can be identified based on the outcomes of the International Competitive Assessment [Chapter 5] as well as the National Assessment [Chapter 6].

6.2 STRATEGIC DIRECTION

In Chapter 4 it was pointed out that the strategic direction will mostly be influenced by the group whom the organisation serves. This group is normally defined in the literature as the stakeholders of the organisation. Various authors, for example, [Lea, 1988: 216; Leisen and Sautter, 1999: 31; and Buhalis, 2000: 99] agree that all parties, or stakeholders interested in or affected by tourism within a particular market or community should collectively be involved in influencing and managing the tourism system. The first part of this section analyses the influence of these stakeholders on the strategic direction of the destination. The second part of this section investigates the important aspects in the formulation of a shared vision.

6.2.1 Stakeholder analysis

Tourism planning and development are increasingly important components of societal planning and development. As such, tourism planning decisions must be increasingly integrated into a society's overall social, economic and environmental planning decisions [Buckley, 1996: 10; WTO, 1996: 51; and Ritchie, 1999: 273].

Tourism exists as a powerful economic force in the development of both community-based and international markets. Despite its economic significance, debate continues as to whether or not tourism benefits all entities involved in its system [Leisen & Sautter, 1999: 312]. At the most basic level two schools of thought exist regarding its role in community and/or market development [Lea, 1988: 215]. The political economy standpoint views tourism as an exploitive force and suggests that residents of a destination have little, if any, voice in the development process of the tourism function. Indeed, the industry is often criticised for its rather "imposed" planning decisions on the local population from outside groups [Keogh, 1990: 449; and Leisen & Sautter, 1999: 312].

Alternatively, the functional standpoint approaches tourism as a proactive force which, if developed appropriately, seeks to maximise the contributions to the environment and culture. A functional approach suggests that all stakeholders should collectively manage the tourism system [Leisen & Sautter, 1999: 313]. The South African government supports the functional standpoint and made it clear that the tourism industry must play a central role to strengthen rural communities and create employment [Government of South Africa, 1996: 4]. The perspective provided in this study supports the functional view that all stakeholders should be involved in the strategic decision-making of the tourism destination.

The stakeholder theory, pioneered by Freeman [1984], suggests that an organisation is characterised by its relationship with various groups and individuals, including employees, customers, suppliers, governments and members of the communities. According to Freeman [1984: 46], "a stakeholder in an organisation is [by definition]

any group or individual who can affect or is affected by the achievement of the organisation's objectives". Thus a group qualifies as a stakeholder if it has a legitimate interest in aspects of the organisation's activities and performance. From a managerial perspective, the stakeholder theory suggests that the various groups can and should have a direct influence on managerial and strategic decision-making [Jones, 1995: 404].

Freeman [1984: 53] identifies three important concepts in the effective management of stakeholders:

- The identification of the stakeholders and their respective perceived stakes;
- The processes necessary to manage the organisation's relationships with its stakeholders;
- Management of a set of transactions between the organisation and its stakeholders.

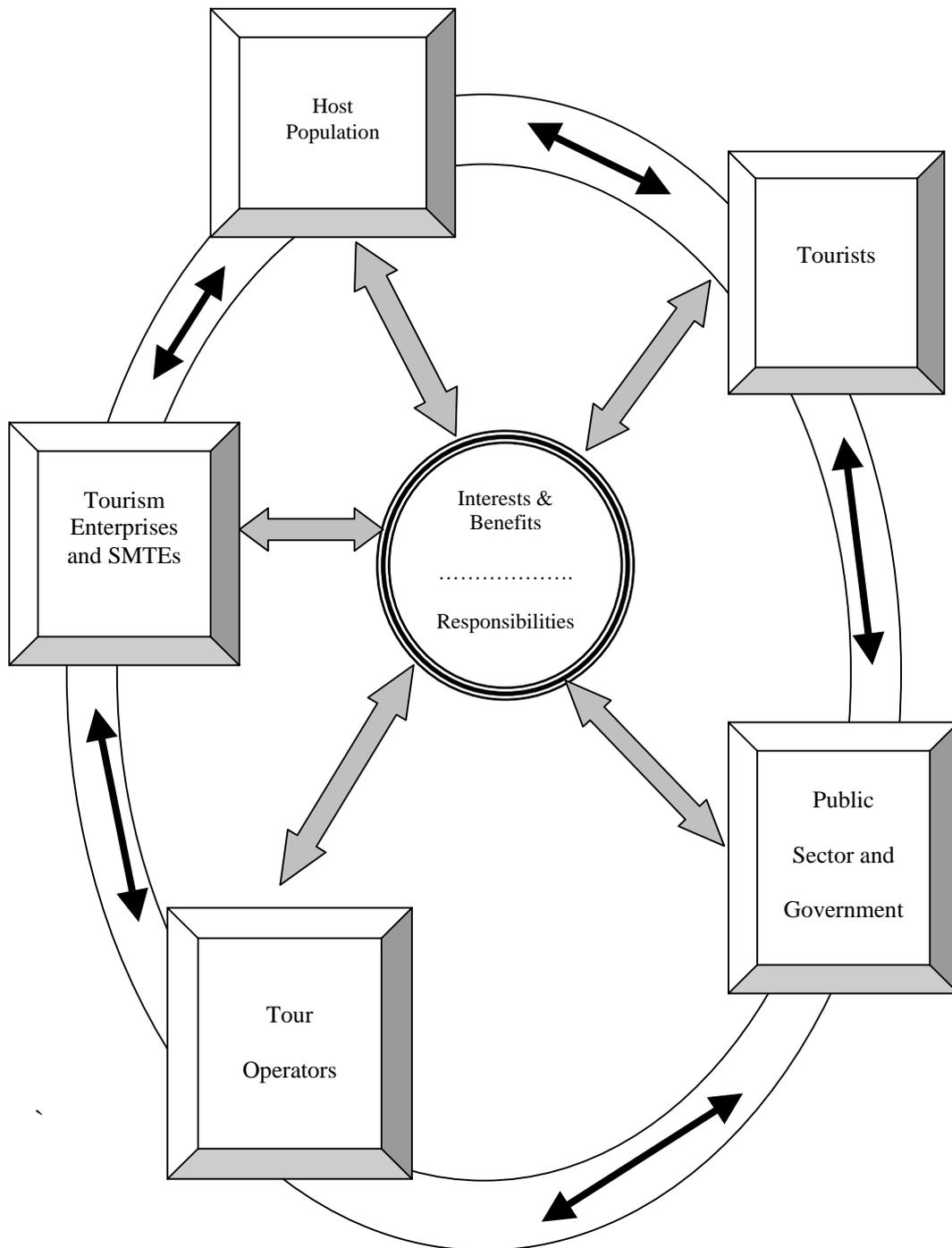
For purposes of this study, stakeholder groupings will be identified and mapped and their influence on the strategic direction and the critical success factors of the destination discussed. Stakeholders also have a basic philosophy concerning the role that they desire tourism should play within their society. Crouch and Ritchie [2000: 3] argue that it is important that these philosophical issues be debated and resolved prior to, or at least as part of the strategy formulation process.

a] Identifying stakeholders and their stakes in the tourism destination

The first of Freeman's [1984: 53] key concepts requires the destination management organisation to have a full appreciation of all the persons or groups who have interests in the planning process[es], delivery and/or outcomes of the tourism service. Leisen and Sautter [1999: 315] warn that destination management often underestimates the complexity of this step and defaults to a simplistic report of only the most obvious stakeholders, like tourists, business owners and government officials. They suggest that destinations must be more careful in identifying various types of persons/groups that affect or are affected by the tourism service.

Figure 6.2 demonstrates the dynamic wheel of tourism stakeholders at a national tourism destination.

Figure 6.2 The dynamic wheel of tourism stakeholders



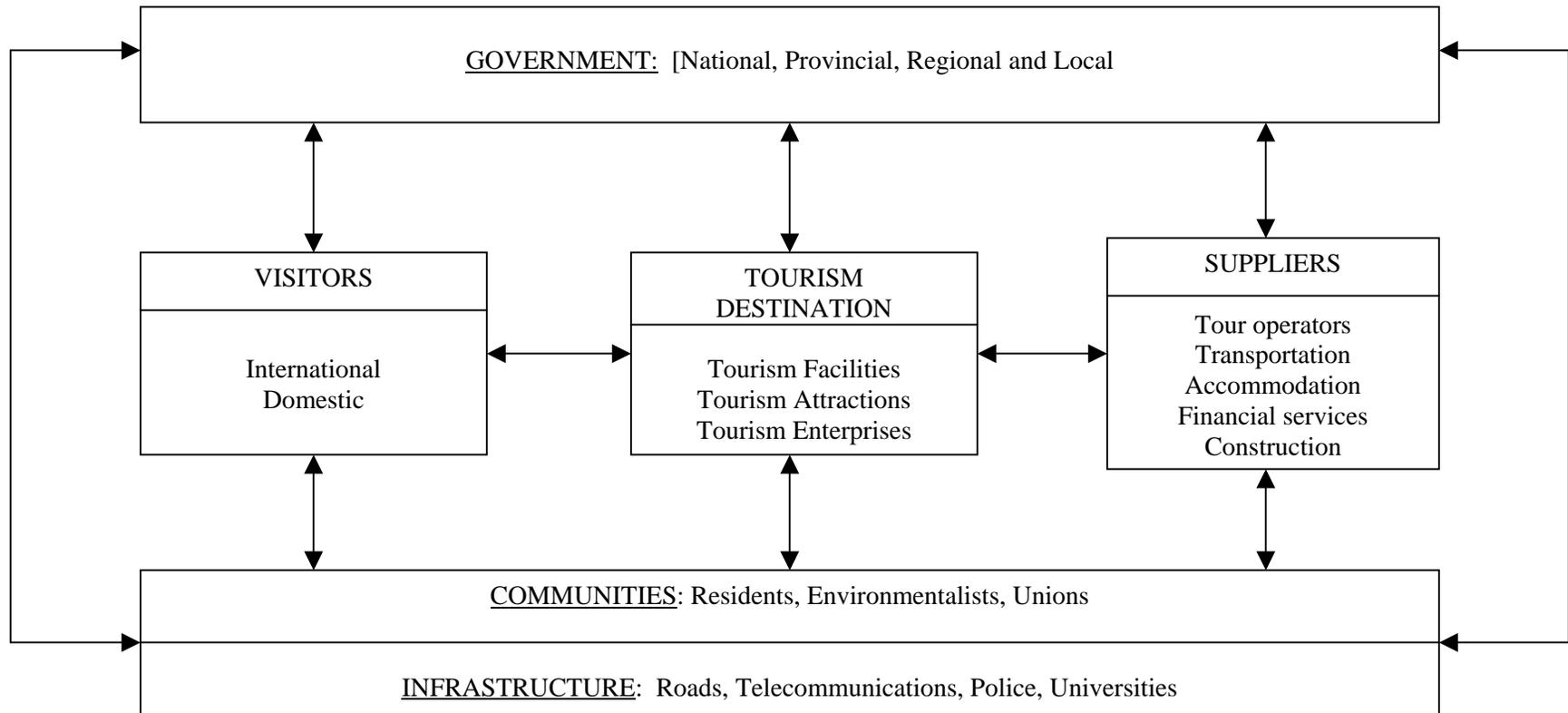
Source: Buhalis [2000: 99]

Leisen and Sautter [1999: 316] argue that a clear distinction should be made between a stakeholder's role and a group. Any person or entity classified as a member of a particular group, often shares other perspectives or serves multiple roles within the larger macro environment. As tourism organisations it is therefore important to consider the stakes or perspectives of different stakeholder groups as defined by the roles they serve with regard to the particular tourism destination. A local councillor, for example, should represent his/her community interests in tourism development, but within the larger community, he/she could play an additional role as political activist for his/her political party.

b] The influence of stakeholder relationships and values on the strategic direction of the destination

Having generated a list of stakeholders, destination managers must analyse the primary relationships between the stakeholders in the system. Row *et al* [1994: 137] suggest that a stakeholder map be used to indicate primary relationships. An example of such a map for a national tourism destination is shown in figure 6.3.

Figure 6.3 National tourism destination stakeholder map



Source: Researcher's own construction

Row *et al* [1994: 139] are of the opinion that the central lesson to be learned from the analysis of stakeholder maps is that actions taken by one stakeholder affect other stakeholders in the system. Stakeholder maps can also be used to identify trends based on past events and actions that were taken by various stakeholders. These maps are also useful in predicting the impact of trends on future strategy. This can be done by identifying and analysing assumptions about how stakeholders will respond to a given strategy.

Leisen and Sautter [1999: 317] go further and analyse stakeholder relationships and influence by means of a stakeholder orientation matrix. The matrix is based on a relationship/transaction strategy continuum that was developed by Grönroos [1995: 253]. According to Grönroos, relationship type approaches to services marketing must manage the interactive aspects of the delivery process. In contrast, a transaction approach takes a more short-term orientation towards the service offerings and emphasizes getting customers “whereas the goal of relationship marketing is to get and keep customers” [Grönroos, 1995: 253].

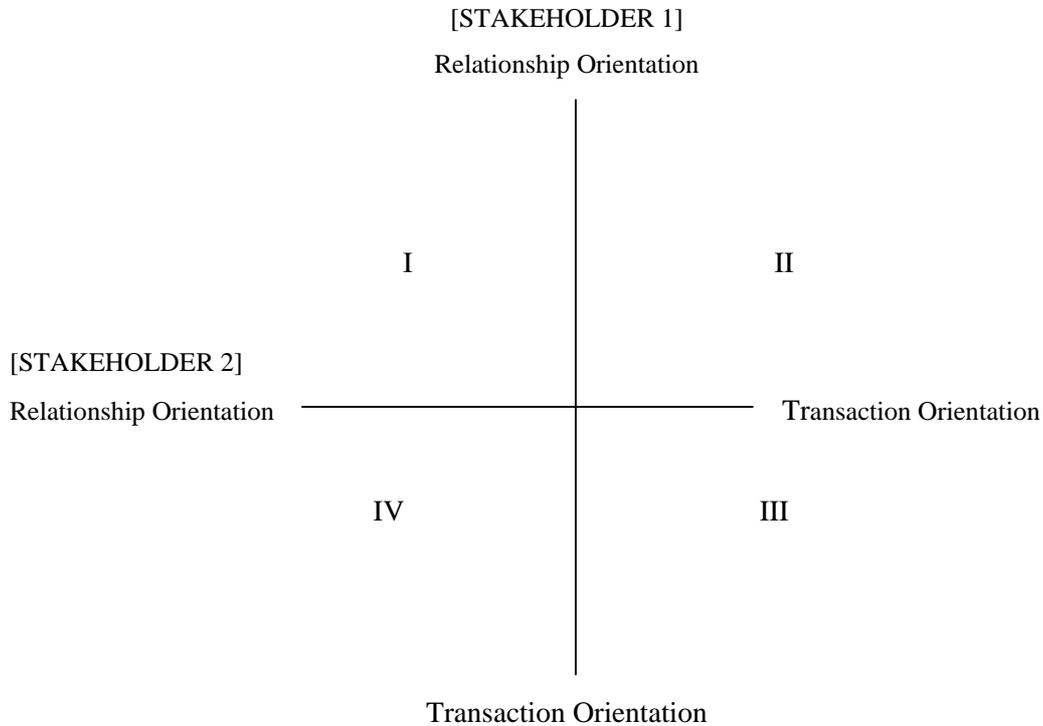
When interpreting the implications of the strategy continuum and related process outcomes literature, it is important to realise that neither the relationship nor the transaction approach is promoted as the ideal basis for strategic development. On the contrary, Grönroos [1995: 251] notes that the appropriate orientation is ultimately dependent upon the selected mission of the service organisation. Using a tourism example, this point is clearly illustrated:

“A traveller who decides to stay at a hotel in a town where he never has been before and does not expect to return, is not a profitable target for a relationship approach. Instead transaction marketing that aims at getting the traveller to choose this particular hotel is probably a good marketing strategy in this case” [1995: 252].

Leisen and Sautter [1999: 318] argue that destination management should proactively consider the strategic orientations of all stakeholder groups before proceeding with strategic decision-making. As congruency across stakeholder orientation increases, so does the likelihood of collaboration and compromise. A stakeholder orientation matrix [shown in Figure 6.4] can be used as a guide to analyse stakeholder

orientations.

Figure 6.4 Stakeholder orientation matrix



Source: Leisen and Sautter [1999: 318]

Depending on the tourism strategy initiatives, various stakeholder permutations must be examined for congruency [Leisen & Sautter, 1999: 319]. These might include the government-resident permutation, the government-tourism business permutation, the resident tourist permutation, the tourist-business permutation and the business-resident permutation. Destination management should strive to encourage congruency of strategic orientation across all permutations and using figure 6.4 as a guide, planners should therefore seek to maximise the number of stakeholder interactions that fall either in quadrant I or III.

The incongruent orientations of quadrants II and IV represent the most difficult scenarios in trying to promote co-operative planning initiatives. In these situations, the perspectives of the stakeholders are dramatically opposed and thus dramatically reduce the probability of successful compromise or collaboration. A government can,

for example, support a transaction-based development based on financial revenues and jobs, while the residents might prefer a more relational approach to development and may take offence at the government's strategies.

There seems to be general agreement that the vision or strategic direction of the tourism destination should reflect the values of those stakeholders for whom it is developed [Ritchie, 1993: 38; Ritchie, 1999: 274; and Leisen & Sautter, 1999: 312]. Because of the number and diversity of the stakeholders involved in crafting a destination vision for tourism, the value systems brought to the process can be greatly different, even to the point of being dramatically opposed. The task of reaching consensus and obtaining endorsement of the destination vision is therefore a challenging task [Ritchie, 1993: 381]. The influence of stakeholder values on the vision of the destination will be further discussed in the next section.

Against the background of the preceding exposition, the following important observations can be made:

- It is important to identify and map important stakeholders that will influence the strategic direction of the destination;
- Roles, relationships and value systems of the stakeholders will influence the strategic process and critical success factors and should therefore be analysed;
- Managing often conflicting stakeholders' interests make the planning of tourism destinations a challenging task;
- The shared values of the stakeholders is an important input in determining the strategic direction of the destination.

6.2.2 The formulation of a shared destination vision

“A vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world”

[Joel Barker, 1992]

It has been argued that the most significant step in the process of strategic planning as it relates to tourism development is the formulation and acceptance of a shared idealised vision [Ritchie, 1999: 274]. The concept of visioning is not a new one. The importance and use of visioning has been reported by an expanding number of authors, for example, Collins and Porras [1994]; Amelio and Sinn [1996]; and Lear, [1997].

Some authors view a vision statement as a concise statement of organisational purpose and do not distinguish between the vision and mission. Others envisage a vision as a very detailed statement or integrated statements, which attempt to portray or describe the destination in question at some point in the future. While there may be a divergence of views as to the precise definition of an organisational vision, there seems to be general agreement that the vision for a tourism destination should reflect the values of those stakeholders for whom it is developed [Ritchie, 1999: 274; and Leiser & Sautter, 1999: 312].

Ritchie [1993: 381] postulates that in extending the concept of visioning from organisations to tourism destinations, three aspects need to be considered:

- The vision of a tourism destination must bring together the views of many organisations and individuals in the industry and the community. As such, the process is much more complex than that carried out within a single organisation;
- Because of the number and diversity of the stakeholders involved in crafting a destination vision for tourism, the value systems brought to the process can be greatly different, even to the point of being diametrically opposed;
- Compared with an organisation, the vision developed for a destination tends to define the nature of long-term major developments, many of which are relatively irreversible. While the choice of a right vision is critical for any entity, it is absolutely critical for a tourism destination as it will set in motion the development of facilities, events and programmes which will do much to define the very essence of that destination for years to come.

a] Guidelines for vision development

The concept of vision has not yet received extensive attention in the tourism or tourism-related literature. An analysis of the sources including Inskip [1991], Barker [1992], Ritchie [1993] and Ritchie [1999] indicates that the development of a vision for a destination will have to take into account a number of key aspects:

- Firstly the process of “strategic envisioning” is seen as a dynamic interactive phenomenon. It should therefore be the envisioning of an image of a desired future organisational state, which, when effectively communicated to followers, serves to empower those followers so they can enact the vision;
- Secondly, stakeholder input and collaboration in the development of the vision is of extreme importance. However, great care must be taken in identifying the kind of inputs from stakeholders that are desirable and useful. The process cannot be a pure democratic exercise but should reflect the aspirations of all important stakeholders;
- Thirdly, it is the role of destination leadership to develop the vision. While leaders need to listen to the reactions of followers, it is the leader’s responsibility to synthesize these reactions into a final vision;
- Fourthly, the vision should be shared and supported by the broader community. For example, in the case of the tourism vision for Calgary city [Ritchie, 1993: 382], the draft report of the vision was circulated widely and discussed extensively by residents of the city;
- Fifthly, the vision should be comprehensive and detailed. It should therefore provide enough detail and direction so that everybody can find their specific place in it. In the formulation of a vision for the Banff-Bow Valley in Canada, the team identified a limited number of supporting themes that expanded and explained the core vision statement [Ritchie, 1999: 277];
- Finally, the vision should be positive and inspiring. It must be a dream that motivates everyone. The vision must therefore not only be accepted by everyone in the stakeholder community but must also motivate people to act on it.

Ritchie [1999: 274] adds that while a common vision may not obtain the unqualified support of all community residents, particularly with respect to the details of implementation, it should provide a development framework where none of the key components are judged to be totally unacceptable by any significant stakeholder group. As such, once agreed upon, a destination vision should provide a context in which initiatives to secure its realisation will not be blocked, even if they may not be enthusiastically supported in every case.

With regard to the contents of the vision, the following aspects will have to be included:

- The **core vision** that consists of a brief statement that consolidates all key dimensions of the desired future for the destination. This will be the heart of the visioning document, a portrait describing how the destination will evolve as it moves into the future;
- **Key characteristics and/or key themes** that describe the desired future state of the vision. The purpose is to identify and describe the main characteristics that the destination should have ten to fifteen years from now. The purpose of this step is to give substance to the vision. This can also be done by way of key themes. Banff-Bow Valley in Canada for example included the following themes in its vision: ecology, awareness, visitor experience, economy, community and governance [Ritchie, 1999: 276].

The vision statement itself should not be too long so that it can communicate effectively to all the stakeholders. Ritchie [1999: 277] suggests that the following supporting documents also be prepared in order to support the implementation of the vision for a tourism destination:

- A preamble – an introduction which seeks to put the purpose, structure and content of the vision into context;
- The anchor values – that determine the main values on which the development of the vision is based;
- Strategic guidelines and principles underlying the vision;

- Major strategic developments in facilities, programmes and attractions needed to realise the vision.

Various works on critical success factors, particularly those of Hardaker and Ward, [1987]; Pollalis and Grant, [1994]; and Kaplan and Norton, [1996] indicate that the crafting and implementation of a shared vision is an important directive step in the identification of critical success factors at a destination level. It is the shared vision that helps to establish unified direction for the destination.

b] Vision statements in practice

An analysis of the South African literature reveals two visions developed by different groups for South Africa as a tourism destination. The two vision statements developed by the South African Government and The Cluster Consortium are shown in table 6.1 and table 6.2 respectively.

Table 6.1 Vision: South Africa

Vision: South African Tourism
Our vision is to develop the tourism sector as a national priority in a sustainable and acceptable manner, so that it will contribute significantly to the improvement of the quality of life of every South African. As a lead sector within the national economic strategy, a globally competitive tourism industry will be a major force in the reconstruction and development efforts of the government.

Source: Government of South Africa [1996: 23]

Table 6.2 Vision: South African Tourism: 2010

Vision: South African Tourism
South Africa is one of the most sought-after adventure, eco-tourism and cultural destinations in the world, combining its people and diverse cultural experiences with its natural wonders, and presenting itself as a world-in-one destination.
It is the tourism hub of Africa, providing quality experiences and services in a community-based, environmentally responsible manner. Tourism is the leading generator of new jobs in the country and is contributing to the quality of life of every South African.
South Africa's tourism offer is globally competitive and encompasses domestic, regional and international tourism.

Source: The Cluster Consortium [1999: 16]

Based on the criteria outlined, the first vision statement [table 6.1] is too general and broad and does not distinguish the unique characteristics that are sought in the future of South African tourism. The only aspect that stands out is the focus on the social development role of tourism.

The second vision statement [table 6.2] identifies specific and detailed information on the desired state and can be analysed as follows:

Core vision:

To be:

- One of the most sought-after adventure, eco-tourism and culture destinations in the world;
- The tourism hub of Africa

Specific future characteristics:

- Combine people and diverse culture experience with natural wonders;
- Provide quality experiences and services in the community in an environmentally responsible manner;
- Be the leading generator of new jobs;
- Be globally competitive.

The second vision statement was developed at the first national meeting of the Cluster Consortium [1999: 1.6] by a working group representing all the important stakeholders. This group also identified the following important stepping stones to move towards this “preferred future” for South Africa:

- Create a positive enabling environment for tourism development – This calls for the development of a clear and integrated tourism development plan by government at national, provincial and local levels;
- Develop and integrate the tourism sector – Promote greater alignment, teamwork and collaboration among players in the tourism industry and between government and business;
- Attract long-haul tourists to South Africa;
- Develop domestic and regional tourism;
- Develop and align specialized economic foundations locally – Address key internal constraints that are within South Africa’s control – most importantly safety and security, education/training and physical infrastructure;
- Support growth of existing and new business.

Although the latter vision formulation complies with all the content guidelines as set out in the previous section, the process guidelines could not be judged because they were not described.

An example found in the literature that complies with nearly all of the content requirements and also describes the process that was used to develop the vision is that of Banff-Bow Valley, a National Park in Canada [Ritchie, 1999: 275].

The following observations can be made about the group's process:

- Team – The vision was developed by a round table taskforce with leaders from fourteen “interest sectors”. Stakeholders were invited to take part in the decision-making based on their interests rather than their positions;
- An informed vision – In preparing its draft vision, the group made a considerable effort to draw on information from a variety of sources;
- A shared vision – At every stage in the process, the working group tried to ensure that the interests of all citizens were fairly and accurately represented;
- Values – Consensus was reached on the values that would achieve the final vision;
- Acceptance – A series of draft visions were prepared for review and revision. Copies of the final draft vision were sent to organisations as well as one thousand people along with a questionnaire to invite feedback and acceptance.

Strategic direction is the most important point of departure for strategy making [de Wit & Meyer, 1999: 444; and Lynch, 2003: 354]. As indicated in this section, stakeholder values and a shared vision are two of the most important determinants influencing the strategic direction of the destination. With a clear strategic direction, it will be expected from the destination to strategically position itself to such an extent that it will ensure sustainability, competitiveness and growth.

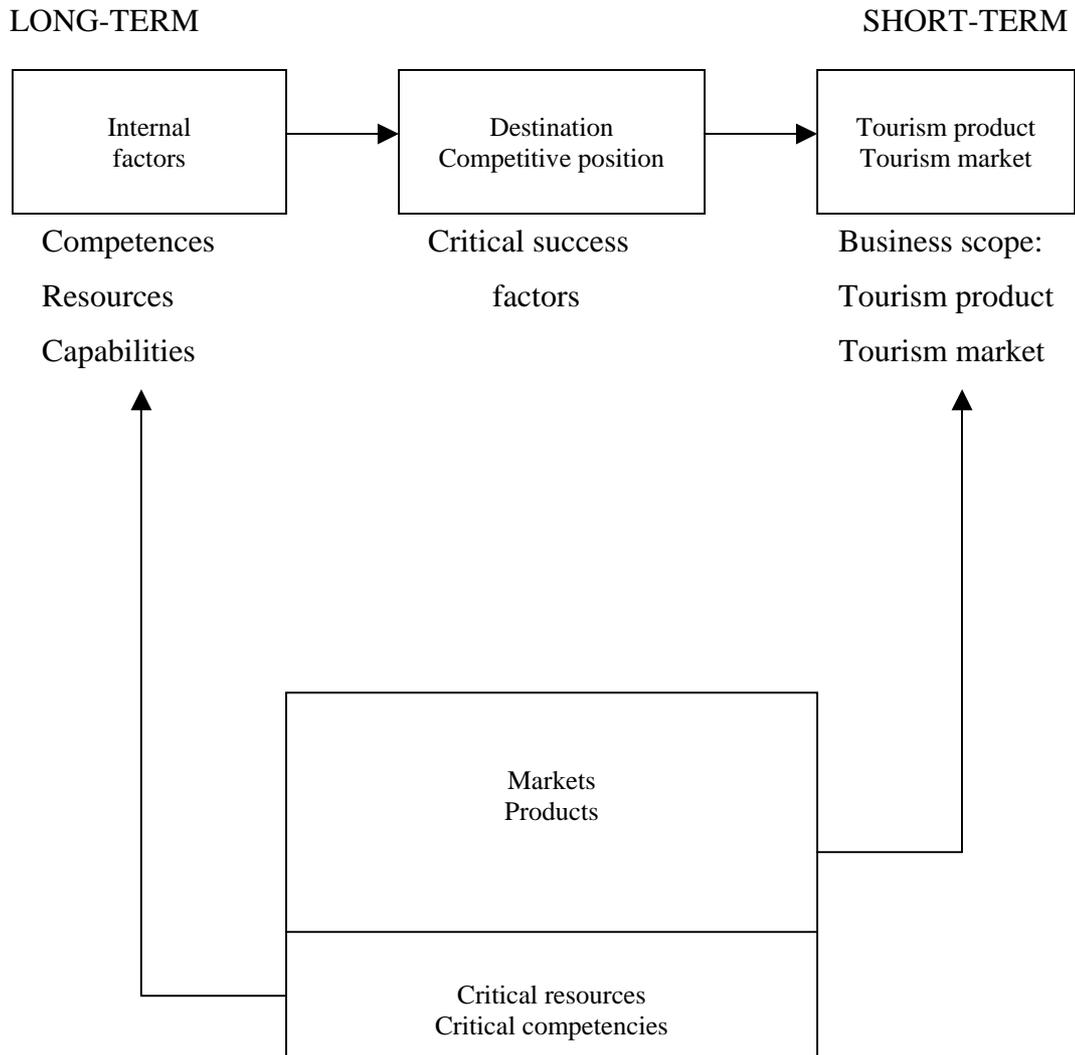
6.3 DESTINATION POSITIONING

The competitive positioning paradigm, drawing largely on the work of Porter [1980, 1985], dominated strategic management in the 1980s. It emphasised the idea of “strategic fit” between the organisation and its environment to achieve competitive advantage, [referred to as “competitive positioning”]. The approach is often described as “outside-in” as the initial phase is an analysis of the environment before determining how to achieve a strategically desirable position [Campbell *et al*, 2003: 16].

In the 1990s a strong movement developed which suggested that competitive advantage and positioning arise from an organisation’s internally developed core competences or distinctive capabilities rather than from its environment [Hamel & Prahalad, 1994; and Heene & Sanchez, 1997]. Whereas Porter [1980, 1985] stressed the importance of the environment in determining competitive advantage, this approach suggests that the internal core competence of the organisation is of far greater importance [Campbell *et al*, 2003: 17]. This “inside out” approach suggests that businesses seeking competitive advantage must first examine and develop their own distinctive resources, capabilities and competences before exploiting them in their environment.

Hax and Majluf [1996: 13] postulate that a unified or “holistic” approach to strategic positioning integrates the “outside in”, or business scope paradigm with the “inside out”, or strategic capability paradigm. What the framework in Figure 6.5 shows is a reconciliation between the business scope and strategic capability approaches, the bridge being the destination’s competitive position.

Figure 6.5 The competitive position of a destination



Source: Adapted from Hax and Majluf [1996: 13]

The competitive position captures two central questions that link these approaches, business scope and strategic capability. The business scope specifies where the organization/destination is competing and how it serves the dynamic needs of the market in the most effective way. The second dimension of the competitive position is how to compete. This refers to developing those unique or critical competencies and the protecting, maintaining and developing critical resources that will allow the destination to achieve a sustainable competitive advantage.

Although considerable support for this holistic view of competitive positioning could be found in the general strategic management literature, for example, Hax and Majluf, [1996]; Stonehouse, [2000] and Campbell *et al*, [2003], very little evidence could be found in the literature review applying this principle in a tourism destination context. In fact, the literature concentrates on the business scope or market aspects of competitive positioning and does not integrate the strategic capability input. The first part of this section will critically evaluate the business scope or market perspective in competitive positioning for destinations while the second part will look at the role of the strategic capability of the destination.

6.3.1 Strategic business scope of the destination

Heath and Wall [1992: 115] define destination positioning as the art of developing and communicating meaningful differences between a region or destination's tourism offering and those of competitors serving the same target markets. This subsection reviews three strategy models, namely, Porter's generic strategies, Gilbert's proposition for "differentiation of the destination" and Poon's analysis for "flexible specialisation". The section then evaluates a synthesis of their propositions to propose a generic strategy on how destinations should develop their offerings in terms of the marketplace.

a) Porter's generic strategies

According to Porter [1985], competitive advantage arises from the selection of a generic strategy that best fits the organisation's competitive environment. There are three main alternatives:

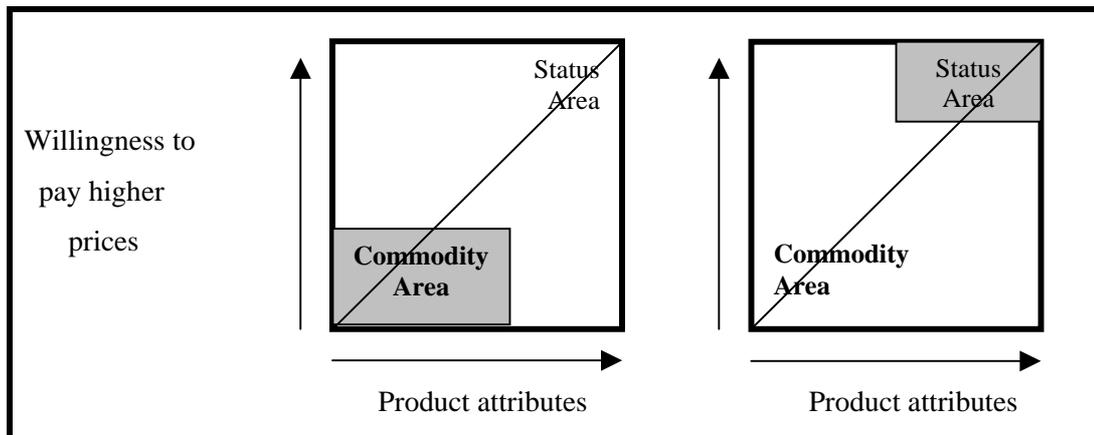
- **Differentiation** – creating a customer perception that a product is unique and superior so that a premium can be charged;
- **Cost leadership** – being the lowest cost producer of a product based on mass production and strict cost control;
- **Focus** – utilising either a differentiation or cost leadership strategy to focus on a narrow segment of the market and serve their specific needs.

According to Buhalis [2000: 106], Porter's model fails to address the specific needs of tourism and in particular, the scarcity of resources at the destination level. He argues that this model suggests that unlimited resources are available to reproduce an endless number of products. This is particularly the case with the cost leadership strategy where organisations are urged to increase their volume and to reduce their profit margin. Unfortunately, environmental resources have a limited capacity that they can accommodate. Resources in tourism are irreplaceable once destroyed and therefore a strategy should ensure that their use is limited to the degree that it does not threaten their sustainability in the long-term. Once this is understood and appreciated, Porter's model enables tourism destinations to focus on differentiation strategies and develop their mix accordingly. This view is supported by Fabricius [2001: 59], who points out that since the travelling cost to a destination is one of the key costs associated with tourism travel, South Africa would find it almost impossible to compete on a cost basis in markets such as the United Kingdom and Germany. The cost of accessing South Africa from these markets is high, compared with that of accessing the Spanish South Coast or France, for example. Therefore, South Africa and other long-haul destinations need to differentiate themselves from their competitors to secure a strong competitive position.

b] Gilbert's strategic framework

The second strategic framework, introduced by Gilbert [1990], argues that destinations can be classified on a continuum between a "status" and a "commodity" as illustrated in figure 6.6.

Figure 6.6 Gilbert’s differentiation strategy



Source: Gilbert [1990: 25]

“Status areas” achieve intentional demand as a result of the special attributes perceived by the tourism market. These unique attributes make the destination unique or irreplaceable, which increases consumers’ loyalty and willingness to pay. In the “commodity” case, destinations are substitutable and very sensitive to price and consumers have a low awareness of any special attributes. Thus travellers base their decision to visit the area merely on price. “Status areas”, on the other hand, manage their resources as product attributes and therefore are perceived by customers as adding special value and they are willing to pay more.

Gilbert [1990: 28] asserts that destinations should attempt to become “status areas”, rather than “commodity areas” to improve their image and economic benefits. It is suggested that destinations should differentiate their tourism products to achieve a unique “tourist product benefit”. This will enable them to strengthen their competitive position in the international market and attract both high spenders and loyal tourists, who appreciate the uniqueness of their resources and product offerings.

Although the model clearly differentiates destinations from distinctive categories, it fails to recognise that the majority of destinations lie between the two ends of the continuum [Buhalis, 2000: 107]. It also fails to relate to the different stages of the lifecycle and the inevitability [experienced in several regions], that those destinations are launched as status areas and gradually slip to commodity status [Buhalis, 2000:

107]. Nevertheless, the model clearly illustrates that destinations should decide on what direction to take and plan and manage their resources and facilities accordingly.

c] Poon's flexible specialisation

A third strategic approach for tourism is proposed by Poon [1993] based on the concept of “flexible specialisation” of the tourism business. Poon argues that “flexible specialisation” is a strategy of “permanent innovation” and “ceaseless change” which provides for “new” tourism. New tourism is flexible, segmented, customised to the tourist's needs and diagonally integrated [Buhalis, 2000: 108].

In contrast, old tourism can be characterised as “mass standardised and rigidly packaged”. The main sources of flexibility for service firms lie in organisation, management, marketing, distribution and other forms of interaction and interrelationships among guests, hotels, suppliers and distributors. What is important however, is how they are coupled to create competitive advantages for the destination [Poon, 1993: 71].

Innovation is critical in this strategy and the utilisation of new technology [especially information technology] provides the opportunity to customise products according to customer's specific needs and requirements. Hence destinations can organise their resources and attributes in such a way that will enable them to specialise their tourism product according to particular customer needs.

Although Poon's model revolutionised tourism thinking, it is considered difficult to implement at the destination level [Buhalis, 2000: 108]. This criticism is based on the fact that most infrastructure and super-structure is based on fixed assets which cannot be altered easily and therefore have a limited degree of flexibility. Nevertheless, the model clearly contributes to the field by encouraging tourism destinations to challenge existing strategies and practices and introduces flexibility and innovation based on technology [Buhalis, 2000: 108].

c] Synthesis of strategic frameworks and importance for strategic positioning

Buhalis [2000: 108] did a synthesis of the three models that reveals that they share a similar base. Porter's "differentiation", Gilbert's "status area" and Poon's "flexible specialisation" all describe how destinations can achieve value and unique competitive advantages. Consumers appreciate special attributes and are thus inclined to visit destinations more regularly to increase their loyalty and to pay higher prices. In contrast, "cost leadership", "commodity area" and "standardisation" describe the efforts of the firms or destinations to achieve "cost competitive advantage" by offering their products at a lower cost than their competitors.

Buhalis [2000: 108] points out that tourism destinations should avoid the cost advantage strategies as they are based on mass production and consumption and assume unlimited production capacity and resources. He argues that although economic benefits can be achieved in the long-term, this approach reduces tourism satisfaction, consumer willingness to pay and has catastrophic social and environmental impacts on destinations.

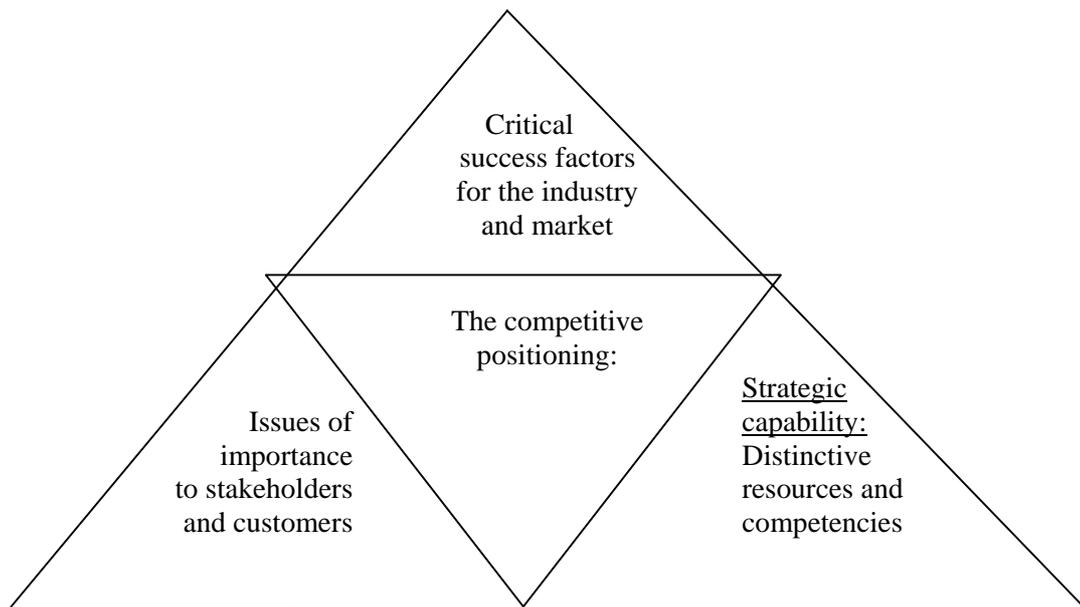
Destinations should therefore not exceed their carrying capacities to sustain resources and at the same time not compromise customer satisfaction. This is reflected in both Gilbert and Poon's strategies that agree that destinations should aim to achieve a "status area" or "niche" orientation through differentiation in order to increase consumer satisfaction as well as to maximise the benefits for the tourism destination. However, this strategy should not serve as an excuse to management at destinations for not improving their efficiency and minimising their production costs. Although providing unique service to satisfy tourist needs should be management's priority, offering perceived value for money will determine their competitiveness in the marketplace [Murphy and Pritchard, 1997: 18; and Buhalis, 2000: 109]. It can therefore be concluded that destinations following a "status area" strategy would probably enhance tourist satisfaction as well as the international competitiveness of the destination and should be the preferred overall strategy.

6.3.2 Strategic capability of the destination

Thompson [1997: 19] postulates that if organisations are to satisfy their stakeholders, especially their customers, while outperforming their rivals, their competitive positioning should comprise:

- The ability to meet the recognised critical success factors for the industry or market;
- Distinctive resources, competencies and capabilities which yield some form of competitive advantage; and
- The ability and willingness to deploy these resources, competencies and capabilities to satisfy the special requirements of customers. [This process is illustrated in figure 6.7.]

Figure 6.7 The competitive offering: criteria for effectiveness



Source: Adapted from Thompson [1997: 21]

Analysing the strategic capability of a destination is clearly important in terms of understanding whether the resources and competences fit the environment in which it is operating and the needs of the customers and stakeholders [Johnson and Scholes, 1999: 150].

According to Johnson and Scholes, understanding strategic capability is also important from another perspective. The destination's capability may be the leading edge of strategic developments in the sense that new opportunities may exist by stretching and exploiting the destination's unique resources and competences in ways which competitors find difficult to match.

In assessing destination capabilities it is important to reflect on the extent of the competitive advantage established and the sustainability of such competitive advantage. It would, for example, be of little use for a destination to invest heavily in the development of cultural tourism resources [e.g. museums, living culture, cultural entertainment] if these do not have a particular appeal to its target markets [Fabricius, 2001: 70].

b] Analysing strategic capability

The literature study in chapter 4 identified three important steps in the assessment of strategic capability:

- The resource audit
- The competences audit
- Assessing the balance

i] The resource audit

The resource audit identifies and classifies the resources that a destination owns or can access to support its strategies. It should attempt to assess the quantity of resources available, the nature of these resources and the extent to which the resources are unique [Pollalis & Grant, 1994: 17 and Johnson & Scholes, 1999: 151]. Table 6.3 provides a simple framework that can be used to assess the resources of a tourism destination.

Table 6.3 Classifying and assessing tourism destination’s resources

Resource category	Main characteristics	Key indicators
Physical assets	The destination’s physical assets, including its natural, cultural and man-made attractions are the major determinants of its tourism potential. Also, the infrastructure [e.g. roads, communication] is very important to tourism. Tourists travel to destinations to have special experiences, and their expectations are mostly determined by the attractions offered.	<ul style="list-style-type: none"> • Topographical & scenic variety e.g. bathing beaches, nature reserves, forests, fauna & flora. • Nature & extent of unique features • Nature & extent of special sites [“icons”], e.g. World Heritage Sites or attractions that have received special recognition. • Climatic levels [e.g. temperature, rainfall, wind] • Variety and quality of activities e.g. events, festivals, shopping, entertainment. • Distance from markets • Quality ratings of public infrastructure [airports, roads, public transportation, communication] by visitors. • Numbers, quality and variety of hospitality and tourism services on offer
Financial resources	The financial resources allocated to developing and marketing the destination, as well as the cost factor of accessing the destination	<ul style="list-style-type: none"> • Marketing budget of DMO • Funds allocated to tourism-related projects by public authorities • Cost of transportation, accommodation, etc. of visiting the destination
Technological resources	The ability of the destination to attract the host visitors is dependent upon airline and aviation technology, communications technology	<ul style="list-style-type: none"> • Speed and capacity of telecommunications infrastructure • E-business and e-commerce networks • Airline & aviation systems • Number and quality of booking & reservations system
Reputation/culture	The brand reputation and perception of the destination in the marketplace. The reputation of the DMO’s of the destination among suppliers and intermediaries	<ul style="list-style-type: none"> • Brand recognition and evaluation in the marketplace • Unique features/events/personalities/heritage that destination is known for • Percentage of repeat visitors • Seasonal arrival trends • Percentage of visitors to region who visit destination • Customer survey ratings of performance • Messages conveyed by media – newspaper reports, travel publications, etc
Human resources	The skills and expertise of employees in tourism The commitment, destination pride and loyalty among employees who deal with tourists The hospitality, friendliness and acceptance of foreigners by the local population	<ul style="list-style-type: none"> • Educational, technical and professional qualifications of tourism employees • Pay levels of tourism employees • Labour stability indicators • Visitor quality & satisfaction ratings • Awareness and acceptance of tourism benefits/responsibility among population • Number and frequency of tourism safety incidents

Source: Fabricius [2001: 40]

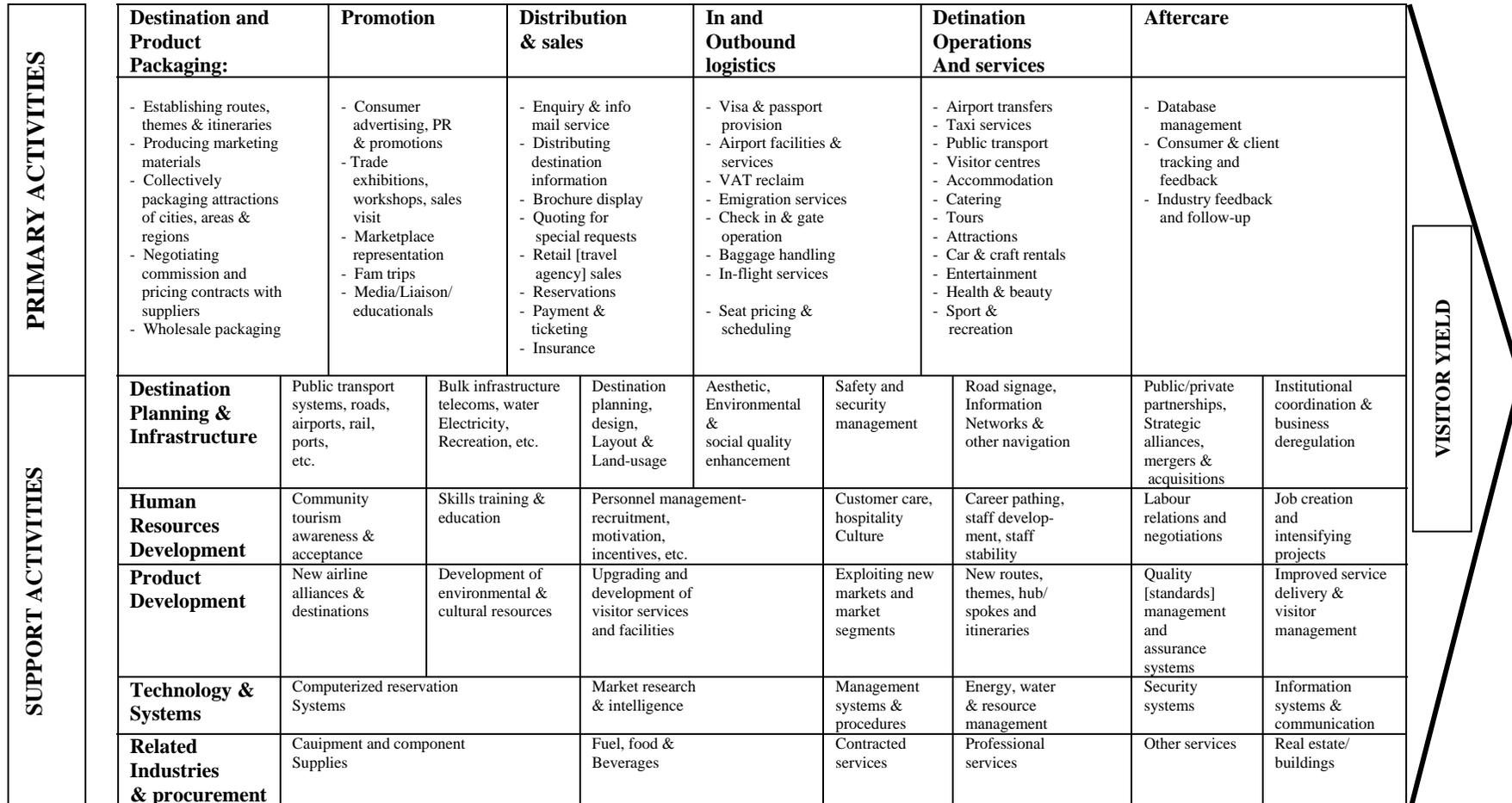
Johnson and Scholes [1999: 151] indicate that unique or critical resources should be identified within the wider list of resources necessary to pursue a strategy. Critical resources are those that create competitive advantage and are difficult to imitate.

ii] Competences audit

Assessing competences requires an analysis of how resources are being deployed to create competences in separate activities, and the processes through which these activities are linked together [Pollalis & Grant, 1997; Johnson & Scholes, 1999]. Although a destination will need to reach a threshold of competences in all activities that it undertakes, it is only some of these activities that are core competences. These are the competences that underpin the destination's ability to outperform competition. The value chain can be useful in understanding and describing these activities and linkages [Johnson & Scholes, 1999].

An example of a value chain for a tourism destination is given in figure 6.8.

Figure 6.8 Destination value chain



Source: Fabricius [2001: 76]

Primary activities – these are activities that are directly concerned with the creation or delivery of a product or service. When applied to a destination, they are the activities that directly involve the packaging, promotion and delivery of the tourism experience to the consumer. Fabricius [2001: 76] groups the primary activities into six main areas:

- Destination and product packaging - The tourism product is not marketed as a physical product or visible service that can be tried and tested before the tourist makes a very substantial investment. This, and the fact that the travel package consists of a range of attractions, experiences, products and services, makes it very important that the destination and the experiences are packaged as attractively and appealing as possible.
- Promotion – The destination package needs to be promoted to the marketplace. This could be done directly to the consumer or to the intermediaries [travel agents and tour operators].
- Distribution and sales – The fact that the tourism product on offer is not available for physical inspection in the source markets makes it very important that travel opportunities are made as easily accessible as possible. Both generic and commercial information should be distributed through the most appropriate channels.
- In- and outbound logistics – Ease and speed of access, especially to long-haul destinations, has an increasing influence on destination choice.
- Destination operations and services – These include all aspects of the tourist visit e.g. transfers, transportation, visitor services and centres, accommodation, food/catering, tours, attractions, car and craft rentals, entertainment.
- Aftercare – Client care and follow-up is essential to establish loyalty and positive attitude among clients.

Support activities – Support activities help to improve the effectiveness and efficiency of primary activities. Since the tourism product is delivered at various geographical points at the destination source, and visitors have to travel to the destination to experience the product, the tourism experience is influenced and affected by almost every facet of the destination environment. The provision of these support activities is especially challenging, since they are delivered by a range of public and private agencies that do not have tourism as their core business, yet their performance is vital to the success of any tourism destination. Fabricious [2001: 78] grouped the support activities into five main areas:

- Destination planning and infrastructure: The physical image and infrastructure of the destination are key determinants of the quality of the visitor's experience;
- Human resource development: Since tourism is a service industry, the quality of the visitor experience is largely determined by the quality of the service and personal interaction experienced at the destination. This means that the development of human resources is an important support element to the tourism value chain;
- Product development: is of key importance to ensure constant rejuvenation of the destination offering. This includes developing and upgrading of commercial services offered to visitors to satisfy their accommodation, catering and transportation needs and "attractions", i.e. natural, cultural and man-made products that provide the major reasons for travellers wanting to visit and experience destinations;
- Technology and systems development: Technology is increasingly becoming a driving force in support of the value chain. Global reservation systems are key levers of competitive advantage for airlines, hotels and car rental companies. Operational and management information systems are also of major importance;
- Related industries and procurement: are vitally important to the primary destination value chain. The primary tourism industry activities such as accommodation, transportation, catering, entertainment and recreation are underpinned by a wide range of related enterprises that supply services to the industry sectors. These are an integral part of the tourism "cluster" and the

success of the value chain is highly dependent upon the effective provision of these services and products.

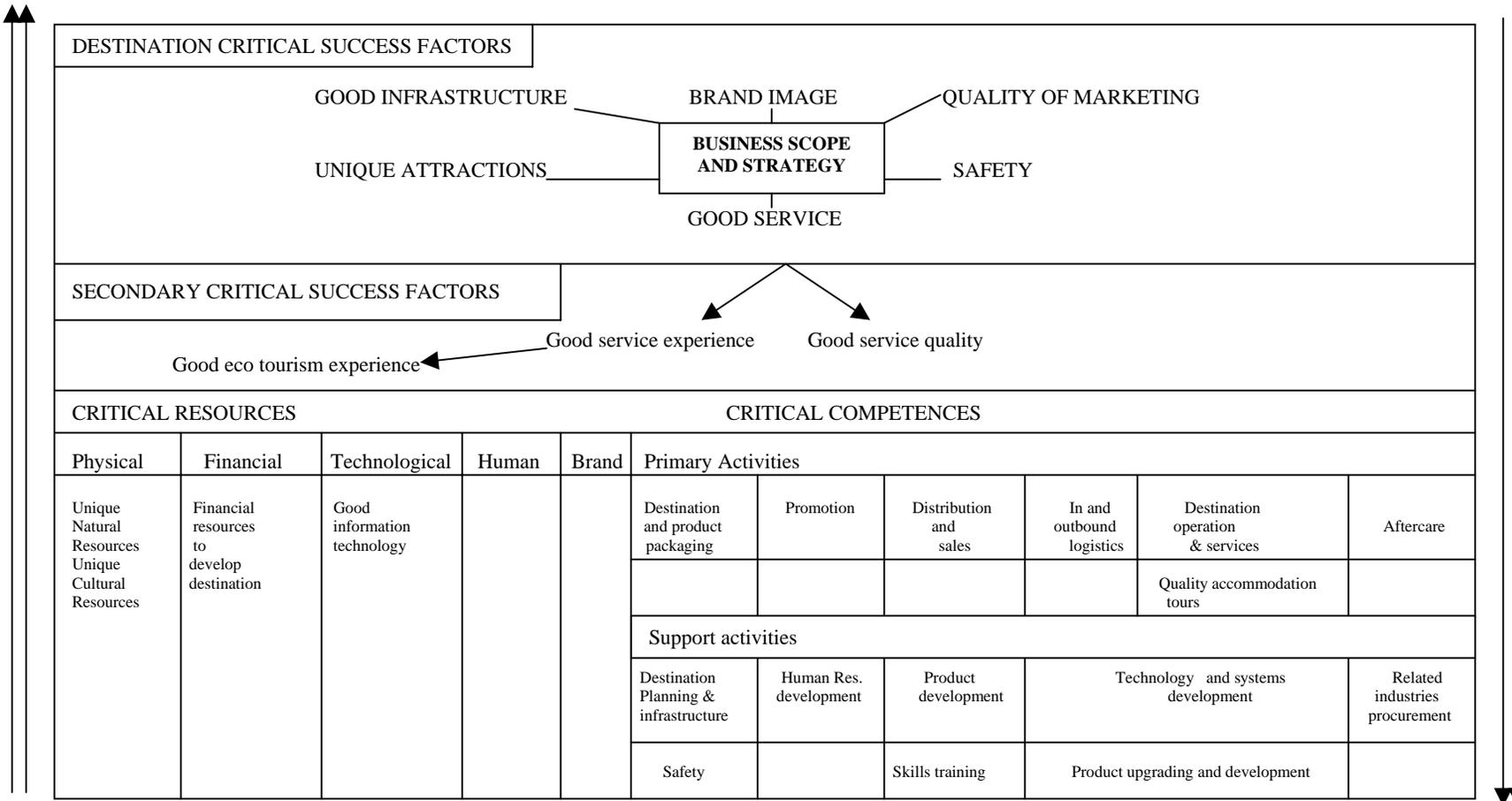
The value-chain analysis is helpful in describing the separate activities that are necessary to underpin a destination's strategies and how they link together, both inside and outside the destination. Although a threshold competence in all of these activities is necessary to the destination's successful operation, it is important to identify the critical competences within this. Critical competences will differ from destination to destination depending on how the destination is positioned and the strategies it is pursuing. The competitive rivalry between destinations is achieved through unique resources [such as unique natural and cultural features, specialised skills and knowledge] or critical competences [such as unified sense of direction, effective communication and good promotional abilities].

iii] Assessing balance

Based on the preceding literature study, the philosophy underlying strategic positioning when applied to tourism destination could be described as follows: The competitive position will be achieved by matching the strategic business scope of the destination with the critical resources, competences and capabilities in such a manner that a unique and competitive offering is created. The destination's overall competitive position will be influenced by the extent to which resources, competences and the strategic business scope are integrated and balanced as a whole.

An example of how this process could work for a tourism destination is illustrated in Figure 6.9.

Figure 6.9 Determining the strategic position of a tourism destination



Source: Researcher's own construction

The first step in the process will be to determine the business scope and strategy of the destination based on the requirements of the international market, international critical success factors, and competitive and comparative advantages of the destination's tourism offering. For the example in Figure 6.9 it is supposed that the destination's aim was to achieve a "status area" or "niche" orientation through differentiation in order to increase customer satisfaction and achieve sustainable growth for the destination.

In this example [Figure 6.9] six destination critical success factors were identified, namely: good infrastructure, unique attractions, quality of marketing, safety, brand image and good service. One of these factors, good service was used as an example to indicate how secondary critical success factors can be identified and the strategic capability of the destination be evaluated.

To determine the secondary critical success factors for good service the destination management must ask what the destination must have or be able to do to be successful at providing good service. In this example the secondary factors were identified as good service experience and good service quality. Service quality refers to the functional and technical aspects of the service delivery while service experience refers to the internal experience satisfaction of the visitor [Otto & Ritchie, 1996: 165]. Examples of such experiences are extended leisure pursuits like white-water rafting and bungee jumping.

The next step is to determine what competences the destination needs to have to be successful in achieving the critical success factors? This process could also be started by asking what the existing competences are that will make an important contribution to the critical success factors? Or how can competences be developed and/or combined to enhance the competitiveness of the destination? In the example in Figure 6.9, critical competences for good service quality were identified as safety, skills training of personnel, and quality of accommodation facilities. Critical competences for good service experience were identified as tours and product upgrading and development.

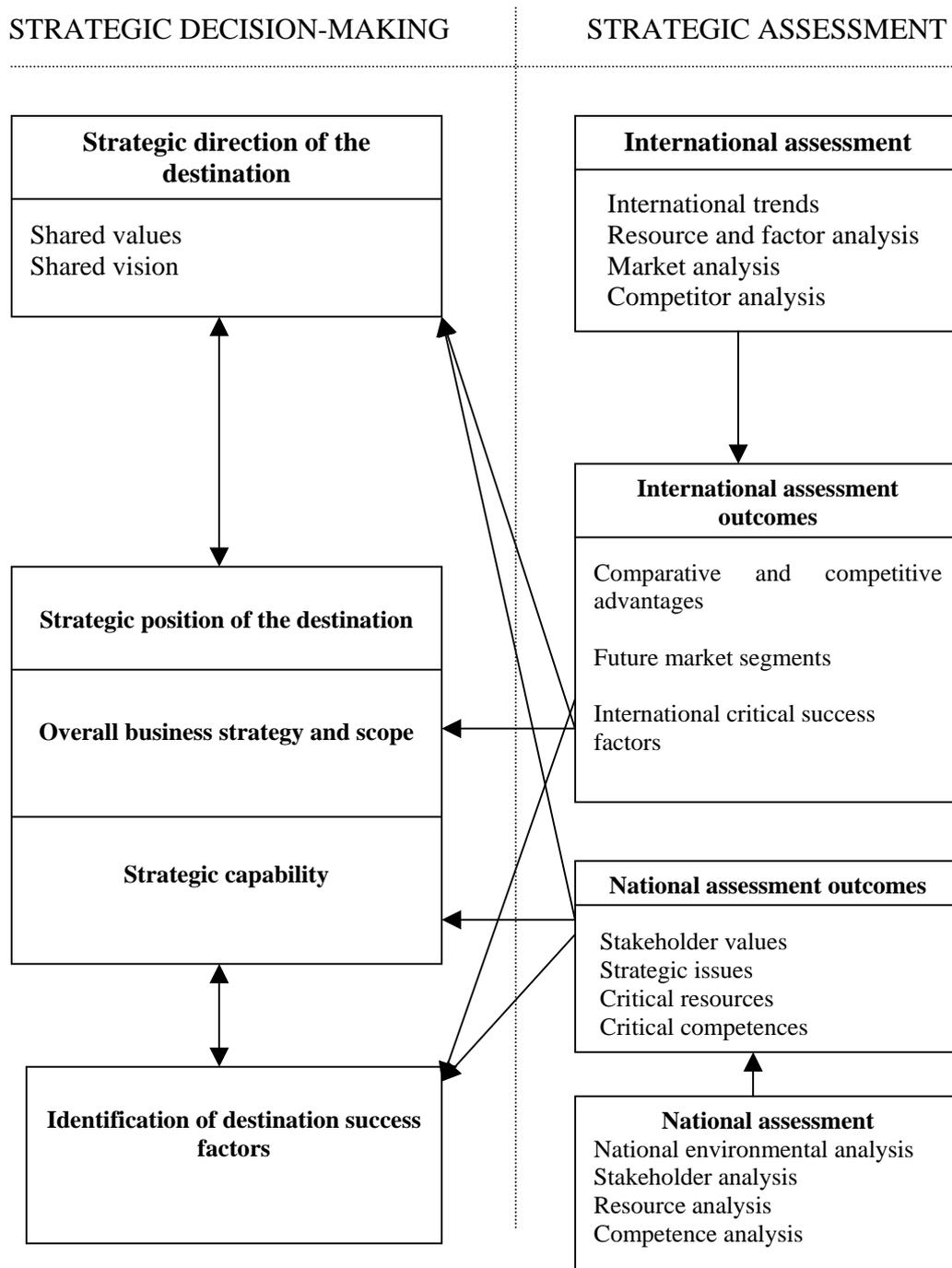
The final step is to identify critical resources that will contribute to the critical success

factors and/or lead to the identification of more secondary critical success factors. In the example in Figure 6.9, critical resources for a good service experience were identified as the unique natural and cultural resources that the destination has. The unique natural resources in this example could also lead to the identification of another critical success factor: good eco-tourism experience. The critical resources of a destination can therefore also lead to the identification of additional success factors that could create strategic knowledge and give the destination a competitive edge.

6.4 THE IDENTIFICATION OF CRITICAL SUCCESS FACTORS AT THE TOURISM DESTINATION

In the preceding sub-sections, the national destination's strategic direction and position were analysed and critically discussed. This background, together with the background of the previous chapters, enables the researcher to establish the relationships between these concepts and the identification of critical success factors for the destination. A framework that summarises these relationships is shown in Figure 6.10.

Figure 6.10 Framework for identifying critical success factors for a tourism destination



Source: Researcher's own construction

The framework can be divided into two specific sections: strategic assessment and strategic decision-making. The purpose of the strategic assessment is to obtain strategic information that is critical for the strategic decision-making process.

Participants in the strategic decision-making process will take specific decisions on the strategic direction of the destination and the specific strategies that will be followed.

a] Strategic assessment

Strategic assessment consists of an international and a national assessment. The international assessment aims to determine the comparative and competitive advantages and future market segments of the destination on an international level. The critical success factors of the international tourism industry are also determined. The international assessment was outlined and discussed in chapter 5.

The purpose of the national assessment is to analyse the national environment and the strategic capability of the national destination. This can be done firstly by identifying environmental impacts and secondly, by identifying critical resources and competences. These are then combined with the critical success factors to achieve competitive advantage. This process was analysed and critically discussed in the previous sub-sections of this chapter.

b] Strategic decision-making

The strategic decision-making process takes place in three important phases: determining the strategic direction of the destination, determining of the strategic positioning of the destination and determining of the critical success factors.

Deciding on the strategic direction of the destination will be greatly influenced by the comparative and competitive advantages, the future market segments as well as the shared values and vision of the primary tourism stakeholders.

Decisions on the strategic positioning will be influenced by the outcomes of the strategic direction process as well as those of the international and national assessments. Three important decisions can be distinguished here:

- Deciding on the overall strategy and business scope;

- Formulating the strategic capability of the destination;
- Achieving balance and determining destination success factors.

6.5 SUMMARY

In this chapter the strategic direction and positioning of the national tourism destination has been examined and a framework of sources for identifying critical success factors discussed.

The formulation of a shared destination vision is an important process to ensure a challenging strategic direction and unified support from all the stakeholders. It was concluded that the influence of the stakeholders' relationships and values on the strategic decision-making and overall strategic direction is substantial and crucial and should be analysed and incorporated in determining the strategic direction of the destination.

Having formulated a national shared vision, a positioning strategy has to be developed that will ensure the competitive advantage and growth of the destination. This positioning strategy is viewed from a holistic perspective and includes both the "business scope" or market paradigm as well as the "strategic capability" paradigm. The literature study showed that tourism management tends to focus on the "business scope" or market paradigm and tends to neglect the "strategic capability" view. This study suggested a holistic approach incorporating both these paradigms in determining the competitive position of the destination.

In the last part of the chapter a framework was developed that explains the sources for identifying of critical success factors. The framework is divided into two specific sections: strategic assessment and strategic decision-making. The strategic assessment obtains strategic information from both the international and the national assessments that are important for the strategic decision-making process. The international assessment was discussed in chapter 5. The outcomes of this assessment, namely, comparative and competitive advantages, future market segments and international critical success factors will be important inputs in determining the

vision, overall business strategy and critical success factors of the destination. The outcomes of the national assessment, namely, stakeholder values, strategic issues, critical resources and critical competences will also be important inputs to determine the shared vision and strategic position of the destination.

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