

CHAPTER 7

THE INTEGRATION OF CRITICAL SUCCESS FACTORS FOR A TOURISM DESTINATION

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CHAPTER 7

THE INTEGRATION OF CRITICAL SUCCESS FACTORS FOR A TOURISM DESTINATION

7.1 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 investigated destination strategic direction and positioning. The purpose of this chapter is to establish how the critical success factors of a tourism destination can best be integrated to achieve sustainable growth and international competitiveness for the destination as a whole.

The second part of the chapter reviews two models of integration, namely Porter's [1987] value chain analysis and Kaplan and Norton's [1996] balanced scorecard model. Both these models are evaluated, critically discussed and their relevance for identifying and integrating of critical success factors for a tourism destination are determined. The section then evaluates and synthesizes the propositions of the two models to propose a generic model that could be used by tourism destinations to integrate critical success factors.

7.2 IMPORTANT PRINCIPLES UNDERLYING THE INTE- GRATION OF CRITICAL SUCCESS FACTORS

Three underlying principles are involved in the integration of critical success factors. They are:

- The community involvement principle
- The principle of sustainable and responsible tourism
- The holistic principle.

7.2.1 The community involvement principle

Scholars have identified a significant evolution in tourism planning paradigms from narrow concerns with physical planning to a more balanced form of planning that recognizes the need for greater community involvement and environmental sensitivity [Timothy, 1999: 371]. As such, tourism planning decisions must be increasingly integrated into a society's overall social, economic and environmental planning decisions [Buckley, 1996: 10; Ritchie, 1999: 273; and WTO, 1996: 51].

Timothy [1999: 372] emphasizes a strategy that focuses on identifying the host community's goals and desires for and capacity to absorb tourism. According to Timothy, each community is supposed to identify its own goals and pursue tourism to the extent that it satisfies local needs. This style of planning recognizes that social and environmental considerations need to be included in planning and that tourism should serve both tourists and local residents. In addition, community-based planning also recognizes that various stakeholders need to be involved in the decision-making [Timothy, 1999: 373]. The public sector, private businesses and organizations, and environmental advocates are independent stakeholders in a complex tourism domain, where no single individual or group can resolve tourism issues by acting alone [Gunn, 1996: 103]. The influence of stakeholder relationships and values on the strategic direction of the destination was discussed in chapter 6.

In South Africa, it will become increasingly important, especially with tourism related development in rural areas, that the host communities are empowered rather than exploited [Feinstein & Thornton, 1998: 70]. Community involvement is often seen as ranging from provision of employment to community participation in the ownership and management of destinations.

The need to involve and empower communities has been recognized by the South African government at all levels. The Communal Property Association [CPA] Act of 1996 enables defined communities to acquire, hold and manage property. A CPA act, approved by the Department of Land Affairs, is a legal entity that may contract with entities in the private sector and others. The CPA act paves the way for communities

to participate in commercial ventures. Other alternative structures include Section 21 [i.e. not-for-profit] companies and trusts [Feinstein & Thornton, 1998: 71].

Communities often need assistance with capacity building and organization, benefit-distribution mechanisms and training. Feinstein and Thornton [1998: 72] suggest the following guidelines for developing and operating tourism destinations and facilities with community involvement:

- Involve the community in the decision-making process;
- Give equity participation to the community in the decision-making process;
- Clearly define the respective roles of the various parties;
- Work with local and regional authorities – they can often provide valuable assistance;
- Tap into available subsidies or other funding from conservation programmes, NGOs, sponsorships, donations of equipment; and
- Pro-actively stimulate community small micro and medium enterprise development..

7.2.2 The principle of sustainable and responsible tourism

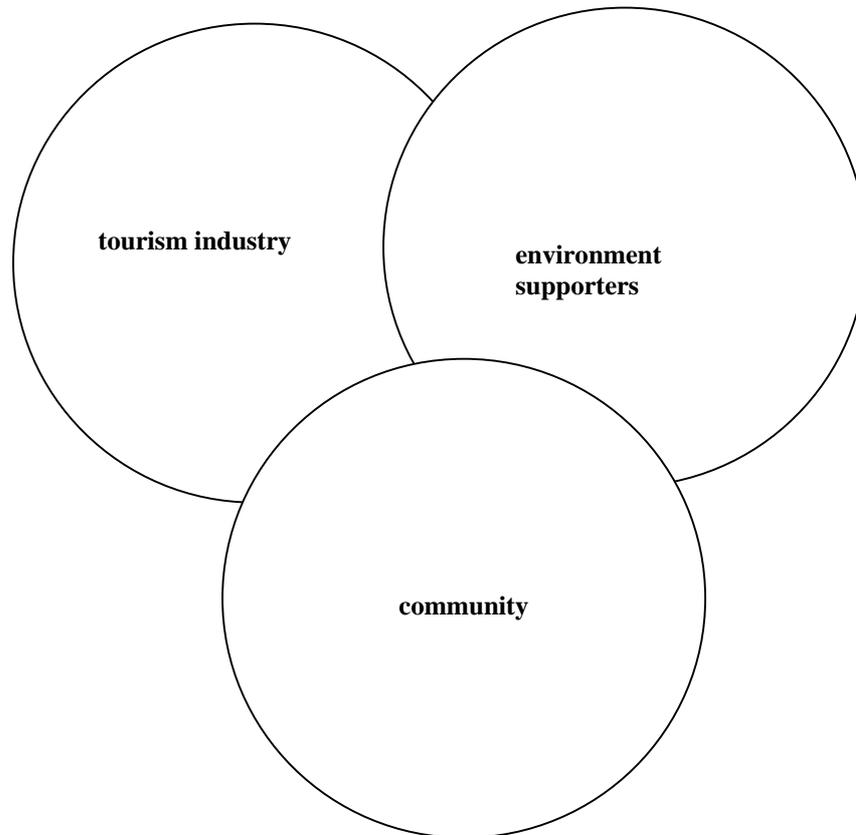
Sustainable tourism is now being recognized as an essential approach to achieving development goals without depleting natural and cultural resources or degrading the environment [WTO, 1993: 1]. The report of the World Commission on Environment and Development [WCED, 1987] provided substantial impetus to the concept and practice of sustainable development. Five basic principles of sustainability were identified in the report. Firstly, the idea of holistic planning and strategy-making. Secondly, the importance of preserving ecological processes. Thirdly, the need to protect both human heritage and biodiversity. Fourthly, the need to develop in such a way that productivity can be sustained over the long-term for future generations [the concept of inter-generational equity]. Fifthly, the goal of addressing a better balance of fairness and opportunity between nations [Bramwell & Lane, 1993: 2].

The term “sustainable development” suggests that the lessons of ecology can, and

should, be applied to the economic processes. Therefore sustainable development stresses that economic success is dependent upon the continued well-being of the physical and social environment on which it is based [Brookfield, 1988; and Butler, 1991]. A purely economic approach to strategic planning does not give any appreciation of the environmental and social implications of decision-making. Similarly, an economic approach alone does not give any appreciation of the productive utilization of resources – for example, whether or not the resources are renewable. A solely economic approach will also not assess the environmental and social costs that may be associated with implementing the strategic plan [Hall, 2000: 5]. The principle of sustainable tourism development is an important underlying principle for integrating critical success factors in the tourism destination.

Sustainable tourism development connects tourists and providers of tourist facilities and services at tourism destinations with advocates of environmental protection and community residents and their leaders who desire a better quality of life. Each group has its constituents. As they realize how their interests overlap and identify common goals, they will be more inclined to collaborate [see Figure 7.1]. An important function of destination management is to assist in this collaboration through the planning, development and coordination process [WTO, 1993: 16].

Figure 7.1 Sustainable tourism



Source: WTO [1993: 17]

It is now generally accepted that it is no longer admissible for the tourism industry to exploit and to “use up” destinations without due consideration of the long-term consequences of such an approach for the environment and the community [Davidson & Maitland, 1997: 8; and WTO, 1993: 15]. Sustainable tourism aims to reconcile the tensions between the three partners and keep the equilibrium in the long-term. It aims to minimize environmental and cultural damage, optimize visitor satisfaction and maximize long-term economic growth [Lane, 1994: 10].

The WTO [1993: 40] suggests the following principles as basic guidelines that can be followed in the strategic development process:

- Tourism planning, development and operation should be part of conservation or sustainable development strategies for a region, a province [state] or the nation;
- Destinations, groups and individuals should follow ethical and other principles which respect the culture and environment of the host area, the economy and traditional way of life, the community and traditions, leadership and political patterns;
- Tourism should be planned and managed in a sustainable manner, with due regard for the protection and appropriate economic uses of the natural and human environment in host areas;
- Tourism should be undertaken with equity in mind to fairly distribute benefits and costs among tourism promoters and host peoples and areas;
- Good information, research and communication on the nature of tourism and its effects on the human and cultural environment should be available, especially for the local people, so that they can participate in and influence the direction of development and its effects;
- Local people should be encouraged and expected to undertake leadership roles in planning and development of the destination;
- Integrated environmental, social and economic planning analyses should be undertaken prior to the commencement of any major projects;
- Throughout all stages of tourism development and operation, a careful assessment, monitoring and mediation programme should be conducted to allow local people and others to take advantage of opportunities or to respond to changes.

From the literature review it is apparent that although the balancing interests of the three important tourism groups are emphasized, very little attention is given to positioning these factors to achieve sustainable competitive advantage. Grant [1995: 138] postulates that sustainable competitive advantage could depend upon the durability of the resources and capabilities upon which competitive advantage is based, and upon rivals to imitate these critical resources and capabilities. Natural and cultural resources should therefore be protected and developed so that the uniqueness of these resources can be enhanced. Participation by communities should also not only be a goal in itself, but should focus on specific critical success factors and the

development of capabilities and competencies that will enhance the sustainability of the destination's competitive advantage. An increasingly important conception of sustainability is that of maintaining and growing environmental capital [Jacobs, 1991] and, in terms of the ideas of equity which are a component of sustainability, the notion of social capital [Hall, 2000: 100]. Maintaining and growing environmental and social capital can thus be important critical success factors that will enhance the sustainability of the competitive advantage of the destination.

7.2.3 The holistic principle

Hall [2000: 101] argues that strategic tourism planning should be holistic, integrated and comprehensive. According to Hall, integration in tourism planning and management refers to an awareness that tourism is a system of interrelated social, economic, physical and political variables and the corresponding establishment of a series of institutional arrangements and planning processes which reflect such a system.

Tourism South Australia [1991: 28] noted that traditional approaches to tourism planning were limited because they ignore research and evaluation of tourism demand [market needs and expectations] and tourism supply [resource utilisation consistent with demand preferences and environmental sustainability]. Therefore, to provide the unique, satisfying tourism experiences which differentiate products and destinations in the marketplace, and to create long-term appeal and sustain the resource base on which tourism products and destinations are based, it is argued that tourism planning must be holistic and integrative. According to Tourism South Australia [1991], such an approach provides for a "synergistic" tourism planning process that is goal orientated, integrative, market driven, resource driven, consultative and systematic [see Table 7.1].

Table 7.1 Elements of a holistic tourism planning approach

Goal oriented	Recognizing tourism’s role in achieving broad community goals.
Integrative	Including tourism planning issues in the mainstream of planning for the economy, conservation, parks, heritage, land use and infrastructure.
Market driven	Planning for development that meets the needs of people and so operating successfully in a competitive marketplace.
Resource driven	Developing assets which build on the destination’s inherent strengths while protecting and enhancing the attributes and experiences of tourism sites
Consultative	Determining what is acceptable to the local population through meaningful community input.
Systematic	Drawing on, or undertaking research to provide conceptual or predictive support for planners. In particular, drawing on the experience of other tourism destinations.

Source: Tourism South Australia [1991: 28]

This view of Tourism South Australia corresponds with the literature study [reported on in chapters 4 and 6] on competitive positioning where the “holistic” approach in which market and resource driven processes and success factors are integrated for competitive advantage were strongly supported. Critical success factors must further be integrated within a framework of national goals, values, policies and a shared vision. According to Hall [2000: 8], the terms planning and policy are intimately related. He argues that planning is a kind of decision-making and policy-making that deals with a set of inter-dependent and systematically related decisions rather than individual decisions.

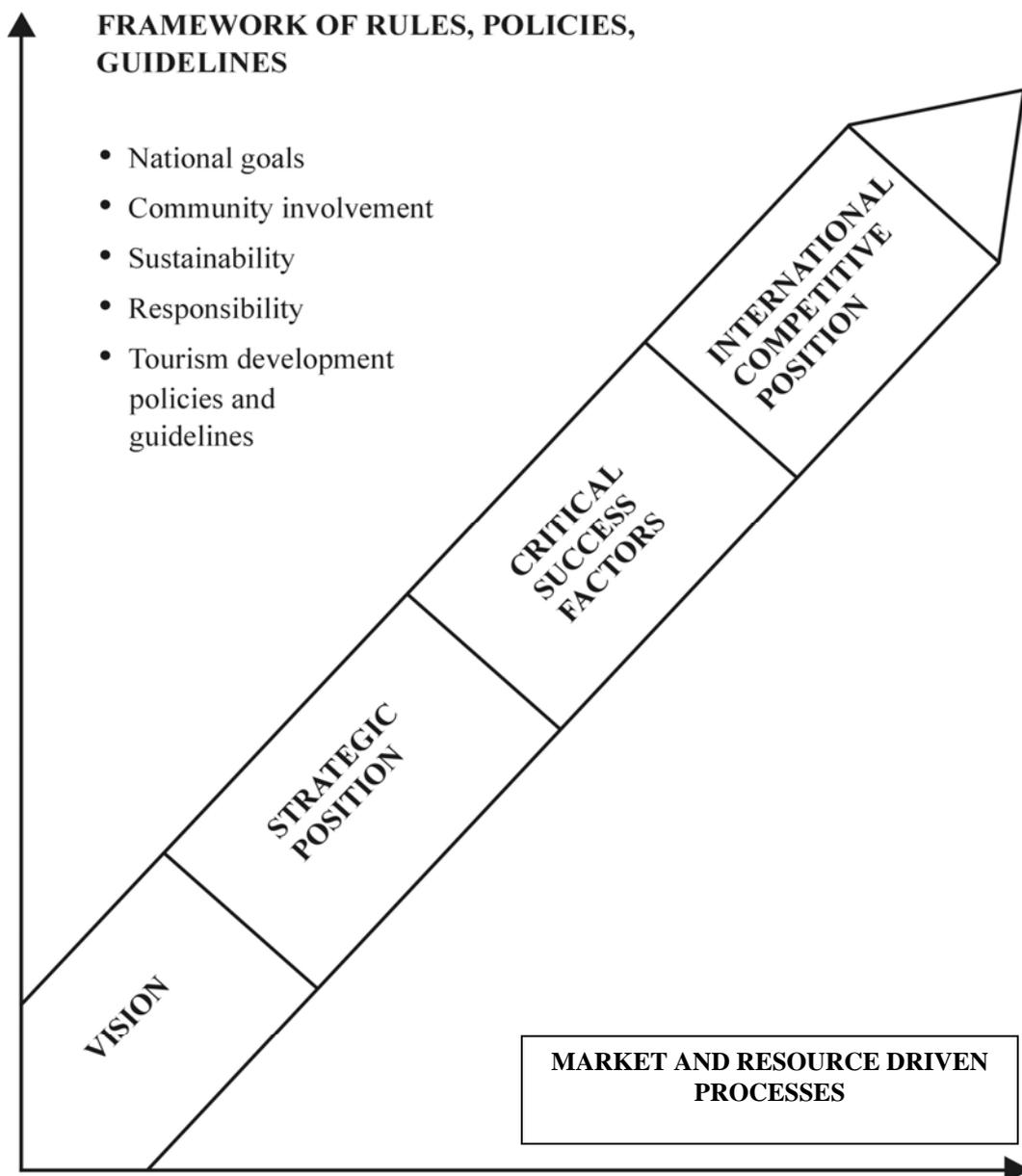
Against the background of the preceding exposition, the holistic principle and philosophy underlying the integration of critical success factors at a national tourism destination could be summarized as follows:

- Critical success factors must be integrated, monitored and evaluated within a framework of values, vision, policies, principles, goals and objectives of the stakeholders and destination management organizations;

- The tourism planning process must integrate market and resource driven processes and critical success factors;
- The tourism planning process must coordinate the critical success factors of relating units so that they fit in with one another.

The holistic principle can be graphically illustrated, as shown in Figure 7.2.

Figure 7.2 Integration of critical success factors within a policy and guideline framework



Source: Researcher's own construction

The strategic planning process of the tourism destination must integrate the market and resource driven critical success factors within a framework of national goals, values, policies and a shared vision. These critical success factors should be integrated in such a manner that they reflect the national aspirations and will of the stakeholders, and at the same time add optimum value to international visitors to the destination. This is not always an easy task as the end-result should always be obtaining and sustaining an acceptable international competitive position. This integration process could further be complicated if consensus cannot be reached on those critical success factors that will enhance this process.

7.3 MODELS OF INTEGRATION

This section reviews two integration models, namely, Porter's Value Chain and Kaplan and Norton's Balanced Scorecard Model. The section then evaluates and synthesizes the propositions to propose a generic model that could be used by tourism destinations to integrate critical success factors for competitive advantage.

7.3.1 The value-chain as integration model

a) Introduction

The concept of value-added can be used to develop the organisation's sustainable competitive advantage [Lynch, 2000: 266]. Every organization engages in activities that link together to develop the value of the business: purchasing supplies, manufacturing, distribution and marketing of goods and services. These activities taken together form the value-chain of the organization [Porter, 1987].

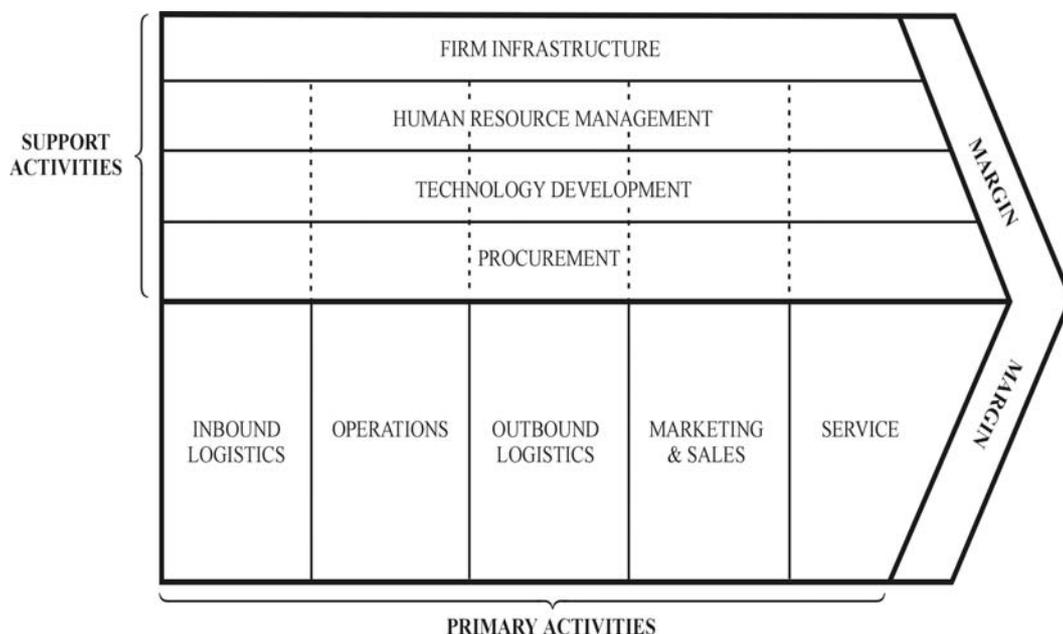
Value analysis was originally introduced as an accounting analysis to shed light on the "value-added" by separating steps in the manufacturing processes to determine where cost improvements could be made or value creation improved, or both [Miles, 1961]. These two basic steps of identifying separate activities and assessing value-added for each were linked to an analysis of an organisation's competitive advantage

by Porter [1985]. Essentially he linked two areas together:

- The added value that each part of the organization contributes to the whole organization; and
- The contribution to the competitive advantage of the whole organisation that each of these parts might then make.

The value chain was developed in the 1980s and has been applied mainly in the manufacturing sector. This sub-section will apply the value chain to a tourism destination to provide insights into how critical success factors and critical competences could be integrated to create optimum value for the tourist and other stakeholders and at the same time achieve sustainable competitive advantage. The value chain developed by Porter is shown in Figure 7.3.

Figure 7.3 The value chain



Source: Porter [1985: 37]

Porter [1985: 37] used the word “margin” in the diagram to indicate the added value. Margin is the difference between the total value and the collective cost of performing the value activities.

The activities within the chain may be classified into primary activities and support activities. Primary activities are those that directly add value to the final product. Support activities do not directly add value themselves but indirectly add value by supporting the effective execution of primary activities. Table 7.2 summarises the primary and supporting activities.

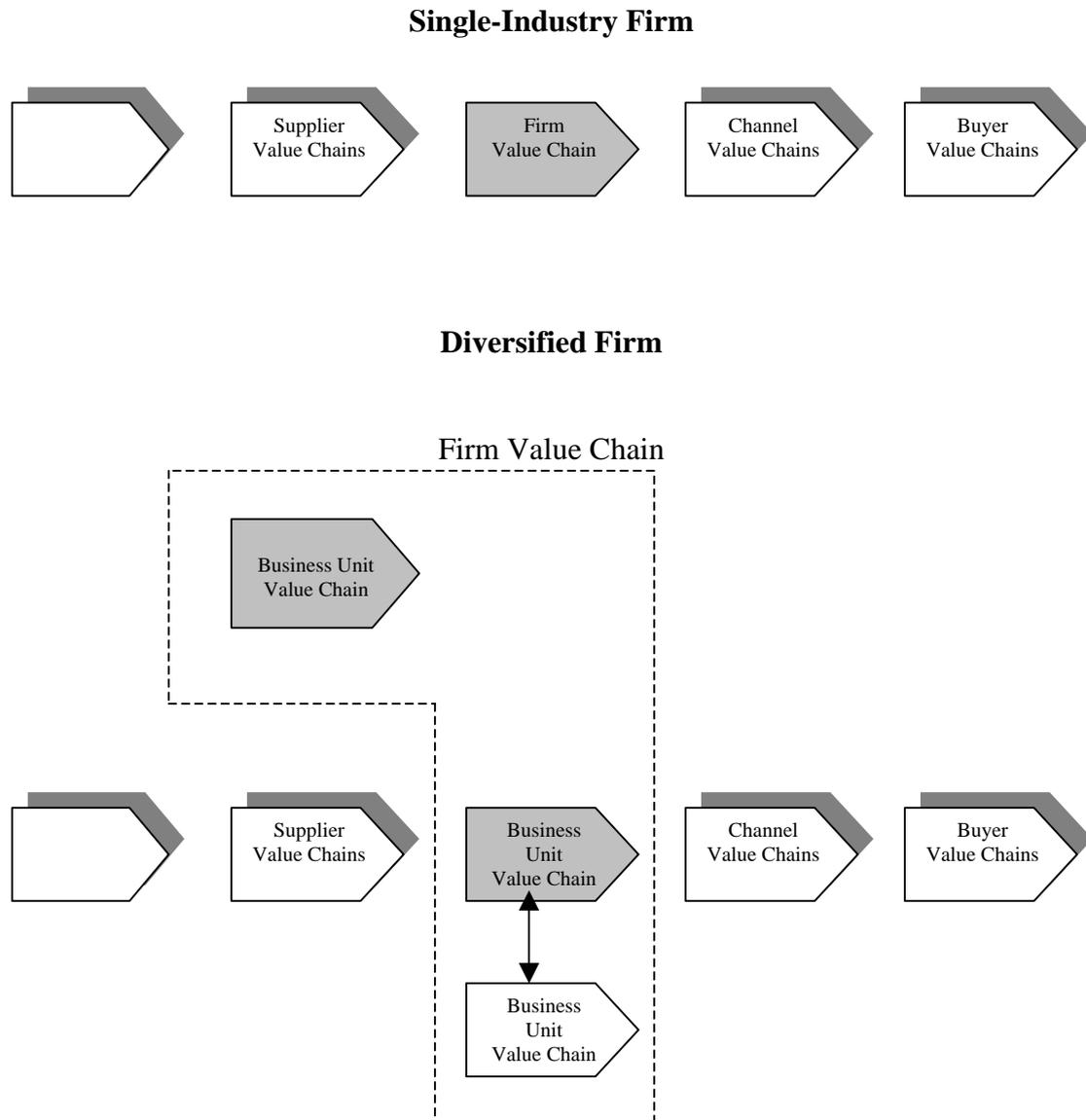
Table 7.2 A summary of the activities in the value chain

A summary of the activities in the value chain		
Primary activities	Inbound logistics	Receipt and storage of materials [inputs] Stock control and distribution of inputs
	Operations	Transformation of inputs into final product
	Outbound logistics	Storage and distribution of finished goods
	Marketing and Sales	Making the product available to the market and persuading people to buy
	Service	Installation and after sales support
Support Activities	Procurement	Purchasing of resources
	Technology development	Product, process and resource development
	Human Resource management	Recruitment, selection, training, reward and motivation
	Infrastructure	Planning, finance, information systems, management

Source: Campbell *et al* [2003: 44]

In addition to the analysis of the organisation's own value chain, Porter argues that an additional analysis should also be undertaken. Organisations are part of a wider system of adding value involving the supply and distribution value chains and the value chains of customers. This is known as the value system and is illustrated in Figure 7.4.

Figure 7.4 The value system



Source: Porter [1985: 35]

In most industries it is very rare that a single organization undertakes all of the value activities from the product design through to the delivery of the final product or service to the consumer. There is usually role specialization and any one organization is part of a wider value system that creates a product or service. Much of the value creation will occur in the supply and distribution chains, and the whole process needs to be analysed and understood. The ability of an organization to influence the performance of other organisations in the value chain may be a crucially important

competence and a source of competitive advantage [Porter, 1985: 36; and Johnson & Scholes, 1999: 160].

b] The tourism destination value chain

Only two examples could be found in contemporary literature where the value-chain concept was applied in the tourism industry [Poon, 1993: 211; and Fabricius, 2001: 72]. Poon developed a travel and tourism value chain for a tourism organisation. Fabricius [2001: 75] argues that while Poon's travel and tourism value chain is applicable to individual tourism firms in the industry, it does not fully and effectively demonstrate how the destination adds value to the overall tourism experience. He notes that in order to analyse and understand exactly where and how value is added to the destination experience, a model is needed that is clearly focused on the consumer's requirements and activities. Fabricius' model is shown in Figure 7.5.

Figure 7.5 Destination value chain

PRIMARY ACTIVITIES	Destination and Product Packaging:		Promotion		Distribution & sales		In and Outbound logistics		Detination Operations And services		Aftercare							
	<ul style="list-style-type: none"> - Establishing routes, themes & itineraries - Producing marketing materials - Collectively packaging attractions of cities, areas & regions - Negotiating commission and pricing contracts with suppliers - Wholesale packaging 		<ul style="list-style-type: none"> - Consumer advertising, PR & promotions - Trade exhibitions, workshops, sales visit - Marketplace representation - Fam trips - Media/Liaison/educational 		<ul style="list-style-type: none"> - Enquiry & info mail service - Distributing destination information - Brochure display - Quoting for special requests - Retail [travel agency] sales - Reservations - Payment & ticketing - Insurance 		<ul style="list-style-type: none"> - Visa & passport provision - Airport facilities & services - VAT reclaim - Emigration services - Check in & gate operation - Baggage handling - In-flight services - Seat pricing & scheduling 		<ul style="list-style-type: none"> - Airport transfers - Taxi services - Public transport - Visitor centres - Accommodation - Catering - Tours - Attractions - Car & craft rentals - Entertainment - Health & beauty - Sport & recreation 		<ul style="list-style-type: none"> - Database management - Consumer & client tracking and feedback - Industry feedback and follow-up 							
SUPPORT ACTIVITIES	Destination Planning & Infrastructure		Public transport systems, roads, airports, rail, ports, etc.		Bulk infrastructure telecoms, water Electricity, Recreation, etc.		Destination planning, design, Layout & Land-usage		Aesthetic, Environmental & social quality enhancement		Safety and security management		Road signage, Information Networks & other navigation		Public/private partnerships, Strategic alliances, mergers & acquisitions		Institutional coordination & business deregulation	
	Human Resources Development		Community tourism awareness & acceptance		Skills training & education		Personnel management- recruitment, motivation, incentives, etc.		Customer care, hospitality Culture		Career pathing, staff development, staff stability		Labour relations and negotiations		Job creation and intensifying projects			
	Product Development		New airline alliances & destinations		Development of environmental & cultural resources		Upgrading and development of visitor services and facilities		Exploiting new markets and market segments		New routes, themes, hub/ spokes and itineraries		Quality [standards] management and assurance systems		Improved service delivery & visitor management			
	Technology & Systems		Computerized reservation Systems				Market research & intelligence		Management systems & procedures		Energy, water & resource management		Security systems		Information systems & communication			
	Related Industries & procurement		Caupment and component Supplies				Fuel, food & beverages		Contracted services		Professional services		Other services		Real estate/ buildings			

VALUE ADDED

Source: Fabricius [2001: 76]

The primary and support activities of the tourism destination value chain identified by Fabricius [2001: 76] were described in chapter 6.

c] Integrating of critical success factors by using the value chain model

An example of how critical success factors can be integrated by using the value-chain is shown in Figure 7.6[a] and 7.6[b].

Figure 7.6[a] Integration of critical success factors for primary activities in the value-chain

PRIMARY ACTIVITIES		Destination and Product packaging	Promotion	Distribution & Sales	In and Outbound logistics	Destination operations and services	Aftercare
	Should have: [Result areas]	<ul style="list-style-type: none"> * Attractive routes, themes and itineraries * Successful collective attraction packaging 	<ul style="list-style-type: none"> * Effective marketing of destination * Effective branding of destination * Large marketing budget 	<ul style="list-style-type: none"> * Sales * New growth markets 	<ul style="list-style-type: none"> * Effective transportation * Quality service 	<ul style="list-style-type: none"> * Unique attractions * Quality accommodation * Sufficient entertainment * Tours availability * Safety * Customer satisfaction 	<ul style="list-style-type: none"> * Good management information system
Should be able to: [Capabilities]	PRESENT						
	<ul style="list-style-type: none"> * Production and distribution of brochures * Negotiating commission 	<ul style="list-style-type: none"> * Good brand image 	<ul style="list-style-type: none"> * Reservations 	<ul style="list-style-type: none"> * Airport transfer and facilities 	<ul style="list-style-type: none"> * Combine nature attractions with cultural attractions * Offers diversity of nature attractions 	<ul style="list-style-type: none"> * Produce good customer feedback 	
	DESIRED						
	<ul style="list-style-type: none"> * Develop attractive tour packages 	<ul style="list-style-type: none"> * Launch effective promotional campaigns 	<ul style="list-style-type: none"> * Effective marketing segmentation 	<ul style="list-style-type: none"> * Access - air capacity * Human resource development 	<ul style="list-style-type: none"> * Increased accessibility of attractions * Increased security 	<ul style="list-style-type: none"> * Information accessibility 	

VALUE ADDED

Source: Researcher's own construction

Figure 7.6[b] Integration of critical success factors for secondary activities in the value-chain

SECONDARY ACTIVITIES		Destination planning and infrastructure	Human resourced development	Product development	Technology and systems	Related industries and procurement	VALUE ADDED	
	Should have: [Result areas]	<ul style="list-style-type: none"> * Good hard infra-structural support: roads, airports, * Good soft infra-structural support: universities, police, banks * Environmental and social quality enhancement 	<ul style="list-style-type: none"> * Community tourism awareness * Competent staff * Job creation * Quality of service 	<ul style="list-style-type: none"> * Development of environmental and cultural resources * Development of new markets * New routes, themes, hub/spokes and itineraries 	<ul style="list-style-type: none"> * Good information systems * Good security systems * Good management systems 	<ul style="list-style-type: none"> * Good professional services * Good and effective supply chain * Availability of products: food, fuel, beverages 		
	Should be able to: [Capabilities]	PRESENT						
		<ul style="list-style-type: none"> * Destination planning and design 	<ul style="list-style-type: none"> * Community involvement 	<ul style="list-style-type: none"> * Unique cultural and natural assets * Market research 	<ul style="list-style-type: none"> * Computerised reservation system * Market research 	<ul style="list-style-type: none"> * Quality of equipment and supplies 		
		DESIRED						
		<ul style="list-style-type: none"> * Public/Private partnerships * Environmental management * Infrastructure development 	<ul style="list-style-type: none"> * Effective skills training and education * Customer care 	<ul style="list-style-type: none"> * New airline alliances and routings * Excellent service delivery * Tourism security 	<ul style="list-style-type: none"> * Information partnerships that share resources 	<ul style="list-style-type: none"> * Just-in-time delivery * Relationships with suppliers 		

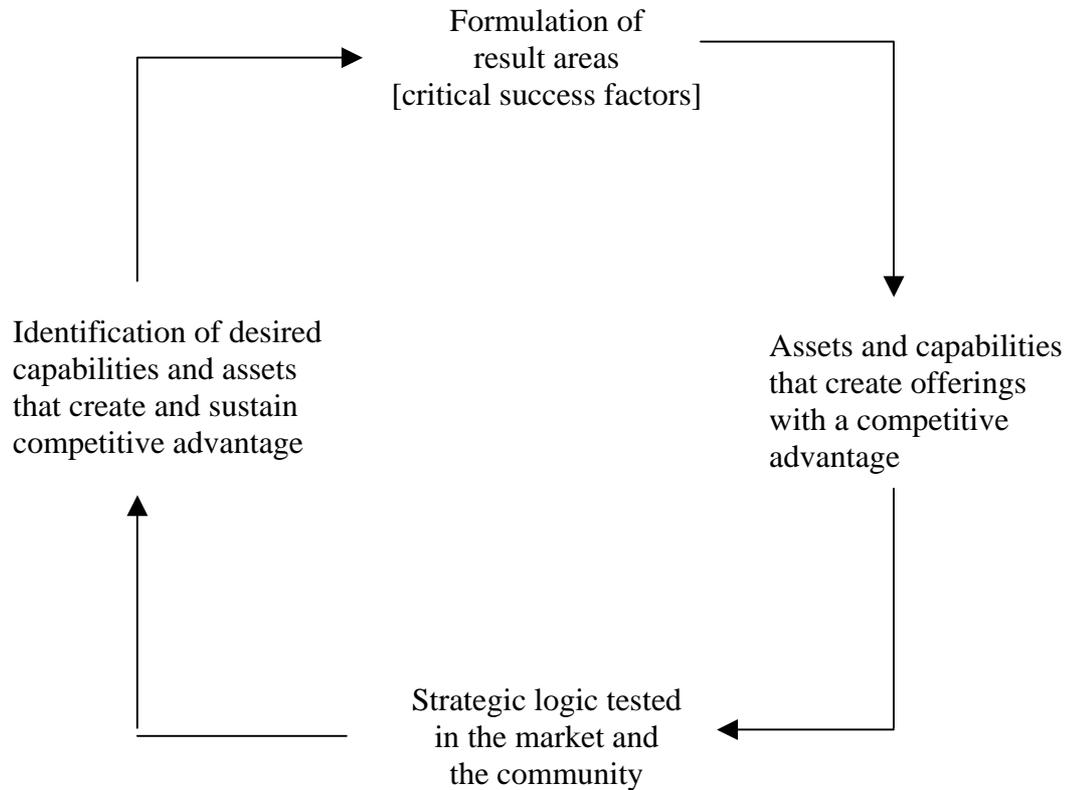
Source: Researcher's own construction

Figure 7.6[a] illustrates the integration of critical success factors for primary activities in the value chain while figure 7.6[b] illustrates the integration of critical success factors for secondary activities of the tourism destination value chain. Each value chain is divided into two main divisions. The first or upper division identifies the critical success factors that are the result areas or critical outcomes of the destination within the designated value sub-categories. These factors are thus the result areas that the destination should perform in, to achieve and sustain competitive advantage and success.

The second division or lower part of the value chain refers to the success factors that are the critical capabilities of the destination. The critical capabilities are those that the destination is able and should be able to provide, to create and sustain competitive advantage. These capabilities consist of critical technologies, skills, talents, processes, resources and competences. This division could be divided further into two subdivisions: namely, present capabilities and desired future capabilities. Present capabilities are the present capabilities of the destination on which its present competitive advantage is based. The desired capabilities are capabilities that can, and should, be developed to ensure sustainable competitive advantage for the future. Strategic competence gaps identified between the present and the future could be important focus areas for strategy development in the destination [Heene & Sanchez, 1997: 138].

The strategies and action plans could be directed towards achieving success in the result areas identified in the upper division. The development of critical capabilities that are unique and difficult to imitate can also lead to the identification of new critical result areas that will enhance the competitiveness of the destination. This phenomenon can be illustrated by the feedback system loop shown in Figure 7.7.

Figure 7.7 Feedback loop system of critical success factor integration



Source: Adapted from Heere & Sanchez [1997: 51]

The secondary value chain category of human resource development will now be discussed as an example of how the process could be used. Since tourism is a service industry, the visitor experience is largely determined by the quality of service and personal interaction experienced at the destination. The key result areas that were identified in figure 7.6[b] as the first category of critical success factors were: community tourism awareness, competent staff, job creation, and quality of service. Awareness of tourism within the broader community determines whether visitors feel welcome when travelling to a destination. Competent staff, as a key result area, are necessary to provide tourists with the quality of service and quality of experience required by them. Job creation is an important result area for most destinations and is also identified in South Africa as critical for tourism development. Provision of a quality service by the human resource component is important for destinations to receive and manage substantial numbers of tourists.

The present capability could be identified as community involvement. Important desired capabilities of the future could be effective skills training and education and customer care. The development of human capital is an essential part of the building blocks of any business: it is them who shoulder the daily responsibility of satisfying clients. Tourism destinations who understand this and take their time to educate and train their workforce are the ones who develop critical competences that enhance the competitive advantage of the destination [Poon, 1993: 261]. To care for customers, tourism staff are requested to get even closer to them – to understand and monitor their behaviour, to listen to them and to provide them with what they want. According to Poon [1993: 240], profitability and competitive success will come to those who can create the best match between their own products and services and the needs and demands of the customers.

d) Managing linkages in the destination's value chain

According to Johnson and Scholes [1999: 170], critical capabilities and competences are likely to be more robust and difficult to imitate if they relate to linkages within the organisation's value chain and linkages into the supply and distribution chains. Johnson and Scholes argue that managing these linkages provides levels of performance that are difficult to match. Competitive advantage can therefore be gained by the ability to complement, coordinate and/or integrate the critical success factors within the destination with those of the other players in the value chain.

Poon [1993: 276] supports this viewpoint and postulates that tourism organisations could strengthen their strategic position by:

- seeking an advantageous position in the destination's value chain;
- integrating diagonally;
- influencing the competitive environment.

[i] Seeking an advantageous position in the destination value chain

Poon [1993: 215] argues that it is no longer relevant whether a company is an airline,

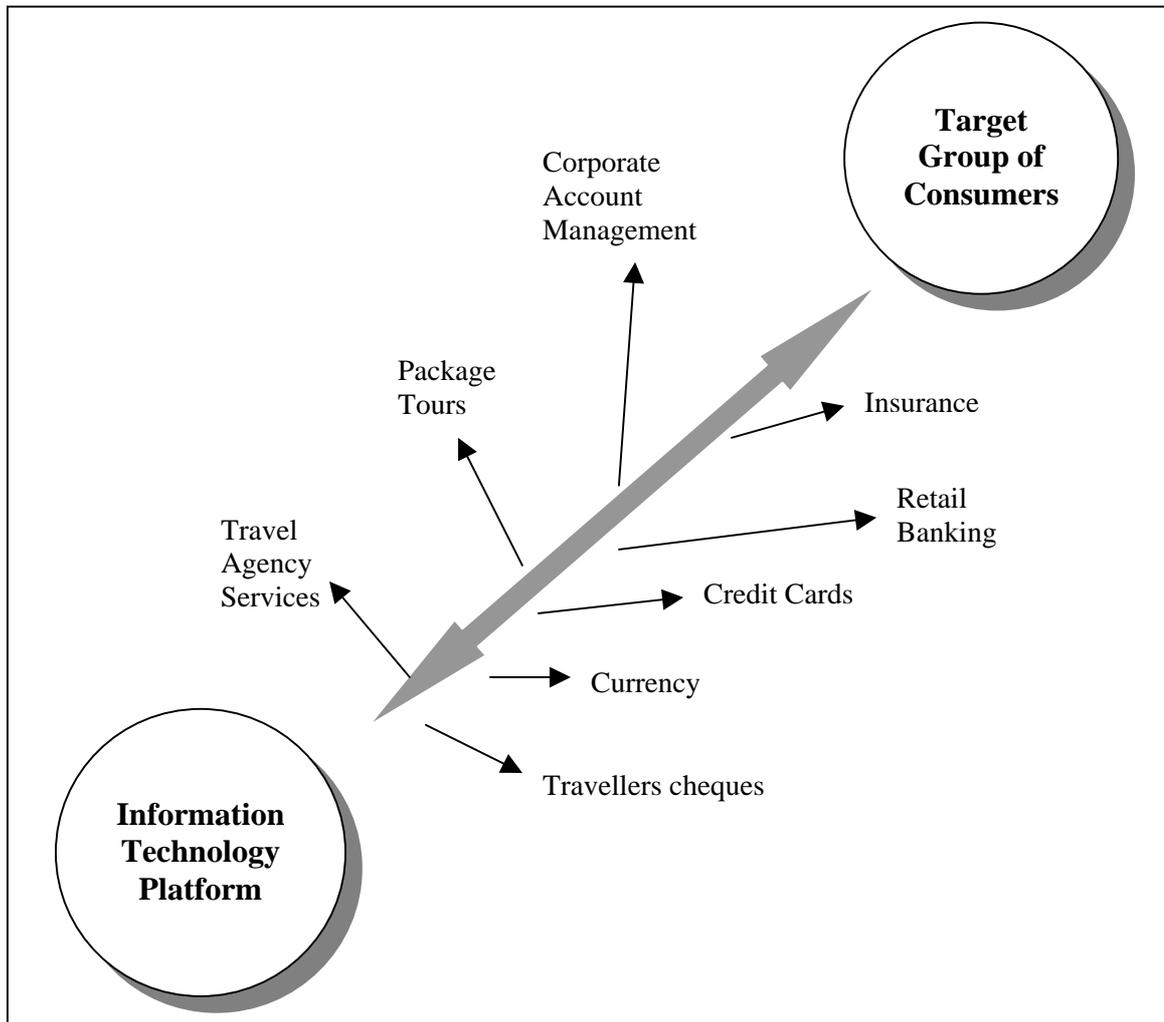
a travel agent, hotel or tour operator. As the boundaries among players are re-defined, what becomes relevant are the activities along the value chain that they control and therefore the critical success factors on which they could have the biggest impact. Influencing this process of wealth creation requires, according to Poon, control over two key elements of wealth generation: information and customers. Those players in control of the information will therefore increase their share of the destination's value. Those players closest to the customer will also gain. Travel agencies and suppliers on site, such as hotels and resorts, are therefore expected to increase their importance in the industry.

[ii] Integrating diagonally

As the industry increasingly becomes driven by information and customers, firms can diagonally integrate to control the more attractive areas of value creation [Poon, 1993: 216]. Diagonal integration is created by new information technologies. According to Poon, "it is the process by which firms use information technologies to logically combine services [e.g. financial services and travel agents] for best productivity and most profits". Firms such as American Express, are diagonally integrated to produce a whole package of services including financial, investment and travel-related services.

The concept of diagonal integration is graphically represented in Figure 7.8.

Figure 7.8 Diagonal integration in the travel and tourism industry



Source: Poon [1993: 225]

From Figure 7.8 it can be seen that information technologies provide a key platform for destinations to integrate diagonally. Destinations can use information technology to identify their target group of consumers as well as to integrate production of services to satisfy their consumers. Diagonal integration between the players of the destination can, according to Poon [1993: 224], be achieved through strategic alliances and information partnerships. With information partnerships, firms can: [1] collaborate to share resources information and client bases; [2] reduce operating costs; [3] share the costs of technology development; and [4] gain bargaining power. It is important to note that diagonal integration does not imply ownership changes as in the case of horizontal and vertical integration, but implies collaboration and coordination

between the most important players. When players diagonally integrate they are in fact combining services for optimum value to the customer.

[iii] Influencing the competitive environment

A destination can influence the competitive environment by creating barriers to mobility. According to Poon [1993: 281], barriers in the tourism industry are intangible and are related to the critical capabilities of the destination such as the skills, quality, knowledge and experience, service delivery and customer care the destination has accumulated over time. According to Poon, the combined actions of players in the industry should be directed towards enhancing the capabilities of the destination, especially in the following three areas:

- Development of employees;
- Client and worker loyalty;
- Long-term relationships with suppliers.

The only asset that the destination has that cannot easily be copied is its human capital. Destinations should therefore invest in adding value to their human resources, empowering them and keeping them happy. It is also important to build loyalty among workers and customers. Capabilities should be developed that ensure the loyalty of workers and customers. Service delivery, friendliness and safety can be important competences in this respect. Building long-term relationships with suppliers also contributes to success. The closer the destination is to its suppliers, the more readily suppliers can respond to the changing needs of their clients. The critical success factors of suppliers should therefore be linked with the critical success factors of the destination so that suppliers can deliver quality to the clients and enhance the competitiveness of the destination.

The purpose of managing linkages in the value chains of the most important players in the destination's value chain is therefore to develop and integrate unique capabilities for the destination that will contribute to the critical result areas in such a manner that the international competitiveness of the destination will be maximised. It is apparent from the literature that the development of human capital and the delivery of quality service are two important areas in developing critical capabilities for the destination.

7.3.2 The balanced scorecard as integration model

a) Introduction

During the course of researching and implementing strategy at a number of US corporations in the early 1990s, Professor Robert Kaplan of the Harvard Business School and David Norton of the international strategy consultants, Renaissance Solutions, developed the balanced scorecard [Kaplan & Norton, 1996: IX].

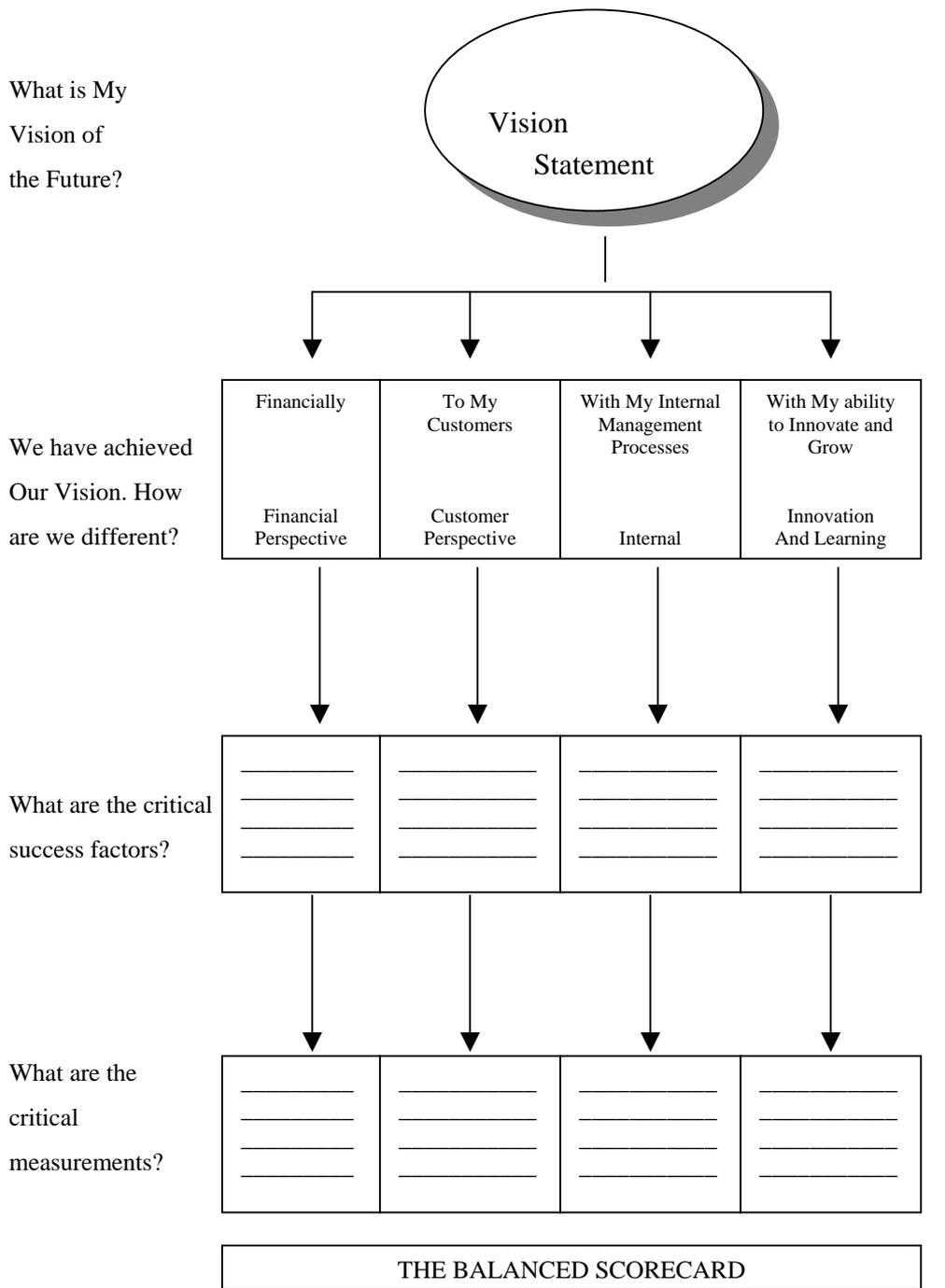
The balanced scorecard arose from their perceptions about two significant deficiencies in the implementation of many corporate plans:

- Management gap: Although most companies measure performance ratios, quality and productivity, these are mainly focused on historical figures, for example “How are we doing compared with last year?” The two authors discovered that although such ratios are important, they often did not measure important aspects of future strategy. For example, future strategy might stress the importance of customer satisfaction and loyalty, employee commitment and organisational learning, but none of these might be measured.

- Strategy gap: The authors claimed that many companies began new strategic initiatives but these often had little impact on the organisation. The reason was that the strategies were often not integrated and linked to achieve the vision and overall strategy of the organisation.

The model proposed by Kaplan and Norton [1996: 10] for the integration and measurement of critical success factors and strategies is shown in Figure 7.9.

Figure 7.9 The Balanced Scorecard



Source: Adapted from Kaplan and Norton [1996: 12]

The proposed framework developed by Kaplan and Norton consists of the following steps:

- Choose a core team: The first step is to put a cross-functional management team together to develop the balanced scorecard.

- Clarify the vision and overall strategy: The scorecard process starts with the management team clarifying the overall direction, vision, and strategic position of the organisation or business unit.

- Translate vision and strategy into strategy objectives [critical success factors]: Vision and strategy are now translated into specific critical success factors. The critical success factors view organisational performance from four perspectives: financial, customer, internal business processes and learning and growth [see Figure 3.12]. The balanced scorecard facilitator meets with the management team to answer four basic questions: “If we succeed with our vision and strategy, how will our performance meet and exceed the expectations of:
 - shareholders?
 - customers?
 - our internal processes?
 - our ability to learn and grow?

The order and inter-relationship of the four perspectives is important. Financial performance or shareholders’ expectations is the starting point. To satisfy shareholders’ expectations the next question is: “What is needed to be done from a customer’s perspective?” With financial and customer objectives established, an organisation then identifies those processes that are most critical for achieving breakthrough performance for customers and shareholders. The final linkage to learning and growth objectives reveals the rationale for significant investments in re-skilling employees, in information technology and systems and in supporting organisational procedures.

- Critical success factor measurement: The next step for the team is to agree on measures. These measures have to be keyed to the objectives and critical success factors with sufficient precision. Kaplan and Norton advise that “balanced scorecard” measures should be developed which complement the financial measures of past performance with measures of the drivers of future performance.
- Setting targets: Once measures have been decided upon, targets will be set for the reporting period - usually a year. These targets give personnel something to aim for and let them measure progress.

Kaplan and Norton [1996: 51] point out that the scorecard is not a way of formulating strategy. It is a way of understanding and checking what you have to do throughout the organisation to make your strategy work. The strategic direction of the organisation in terms of its vision, overall goals and strategic guidelines must therefore be clarified before critical success factors and critical measurements can be identified and integrated. The balanced scorecard is further a strategic management system that channels the energies and abilities held by people in the organisation towards achieving organisational goals [Kaplan & Norton, 1996: 30]. The aim of the scorecard is to help organisations to create future value. Focusing on four areas instead of one creates a balanced approach to integration that will increase the chances of success for the organisation in the long run.

Viedge and Canderis [2000: 38] came to the conclusion that the “packaging” of the balanced scorecard has great appeal to CEOs and business leaders because it effectively addresses the dilemma of strategy implementation especially in the following aspects:

- The scorecard helps organisations to continuously focus on their strategic vision and develop actions plans that will influence the critical success factors and indicators.
- The process of establishing critical success factors and measures automatically begs the question: How do we get people to perform to impact on the critical result areas and measures?

- The scorecard increases both the manager and employee's capacity to see the integration and inter-dependence within the entire organisation.

b] The development of a balanced scorecard framework for a tourism destination

No evidence could be found in the literature review of the application of the balanced scorecard model in the strategic management of a tourism destination. The aim of this sub-section is therefore to develop a balanced scorecard framework for tourism destinations that could be used for the successful integration of destination critical success factors. The balanced scorecard will be developed by analysing the four perspectives and determining the relevance of each for a tourism destination, whereafter a generic framework that can be used by destinations will be put forward.

[i] Financial perspective

The financial perspective measures the shareholder's view of future financial performance for profit making organisations. While most of these organisations will emphasize profitability critical success factors, other critical success factors are also possible, based on the unique circumstances and financial challenges of the organisation. Kaplan and Norton [1996: 57] found that organisations use four financial themes to achieve their business strategies: revenue growth and mix; cost reduction; productivity improvement; and asset utilisation investment strategy.

For the non-profit or mission driven organisation the focus will be on satisfying the financial contributors and meeting the fiscal obligations of the organisation. Critical success factors will thus be set in the areas of financial contributor expectations and budgetary control [Kaplan & Norton, 1998]. The difference between the different perspectives for profit-driven and mission driven organisations is shown in Table 7.3.

Table 7.3 The four perspectives as applied to mission driven and profit driven organisations

Profit Driven

- What must we do to satisfy our shareholders
- What do our customers expect from us?
- What internal processes must we excel at to satisfy our shareholders and customer?
- How must our people learn and develop skills to respond to these and future challenges?

Financial Perspective

Customer Perspective

Internal Perspective

Learning & Growth Perspective

Mission Driven

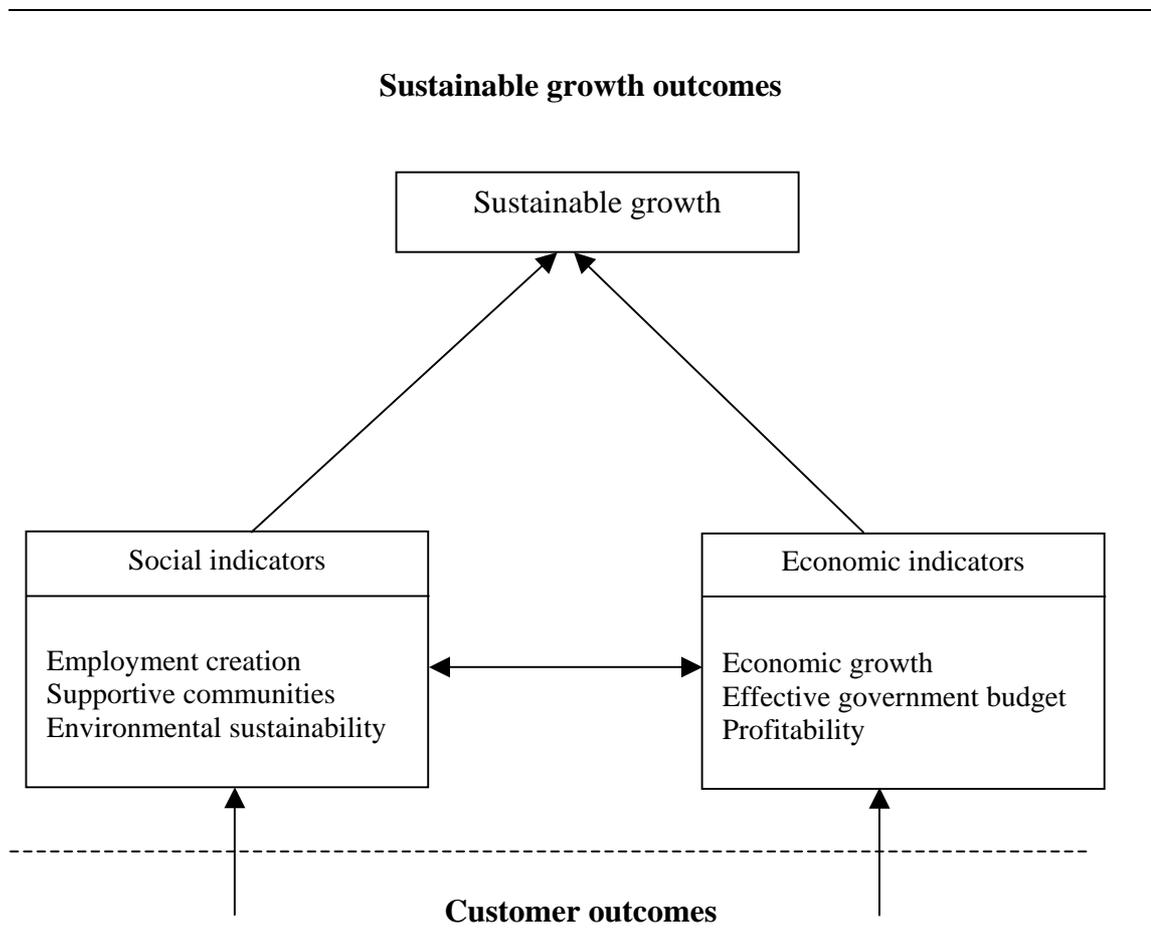
- What must we do to satisfy our financial contributors?
- What are our fiscal obligations?
- Who is our customer?
- What do our customers expect from us?
- What internal processes must we excel at to satisfy our fiscal obligations, our customers and the requirements of our mission?
- How must our people learn and develop skills to respond to these and future challenges?

Source: Kaplan & Norton [1996: 61]

In Table 7.3 it can be seen that the major differences in the two types of organisations vest mainly in the financial perspective.

From the literature review it is apparent that tourism destinations will fall between these two described categories in that it has important economic orientation which is profit driven and important community development significance which is mission driven [Lea, 1988: 215; and Leisen & Sautter, 1999: 312]. The tourism industry should therefore not only maximise profit but also play a central role in involving and strengthening communities and creating employment. The above aspects were analysed and discussed in chapter 6. Both these outcomes should be perceived within the framework of sustainable growth and development. Sustainable development stresses that economic success is dependent upon the continued well-being of the physical and social environment on which it is based [Brookfield, 1988; and Butler, 1991]. A purely economic approach will not show any appreciation of the environment and the social implications of decision-making. The financial perspective should therefore be changed to a sustainable growth perspective that will be more applicable to tourism destinations. The sustainable growth perspective is illustrated in Figure 7.10.

Figure 7.10 Tourism destination balanced scorecard: Sustainable growth perspective



Source: Researcher's own construction

The optimum goal of the sustainable growth perspective for a tourism destination is therefore to achieve sustainable growth for all the stakeholders. The sustainable growth should be measured not only by financial or economic indicators, but also by social indicators that include community and environmental measures.

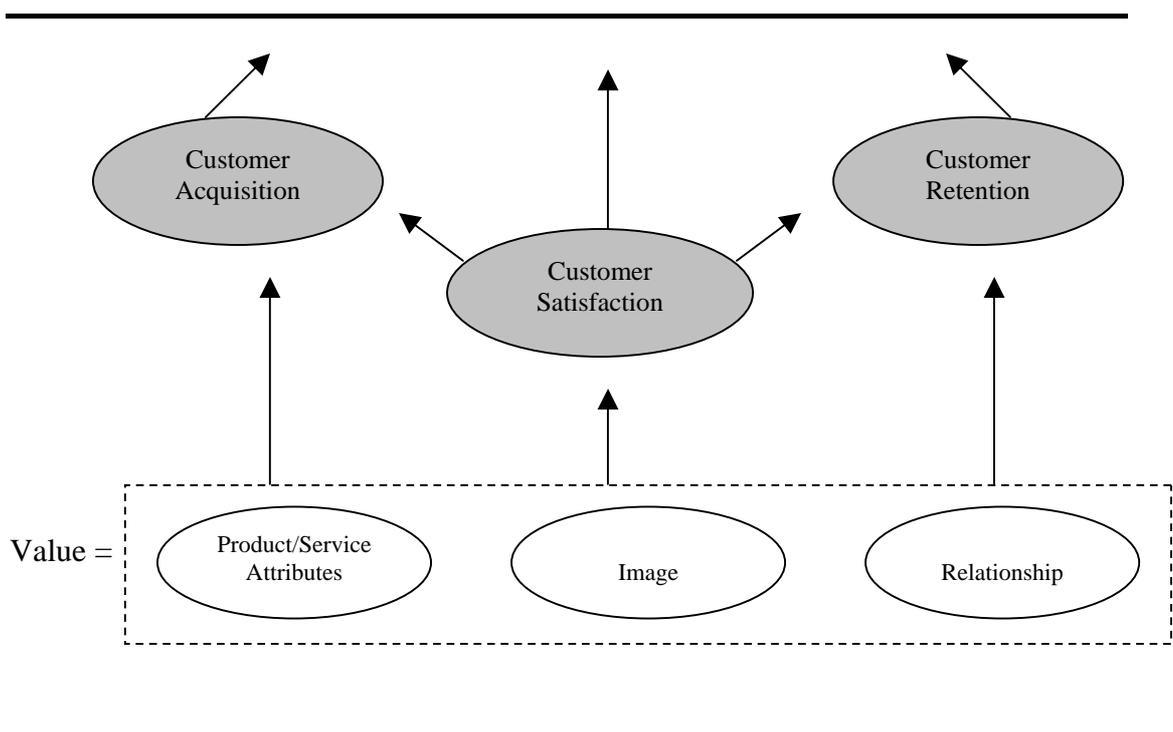
[ii] Customer perspective

In the customer perspective of the balanced scorecard, managers identify the customer and market segments in which the destination will compete and the critical success factors and indicators in these targeted segments [Kaplan & Norton, 1996: 58]. An example of how this could be done was given in Table 5.8 in chapter 5 where the

critical success factors were identified for the so-called 5 E-segments in the South African market, namely experiencers, explorers, entertainers, engagers and eventers.

The ultimate goal of the customer perspective is to add optimum value to the customer experience at the tourism destination. Customers value propositions represent the attributes that destinations provide through their products and services to create satisfaction and loyalty in targeted customer segments. While value propositions vary across industries, Kaplan and Norton [1996: 62] observe a common set of attributes that organises the value propositions in most of the industries. These value propositions is shown in Figure 7.11.

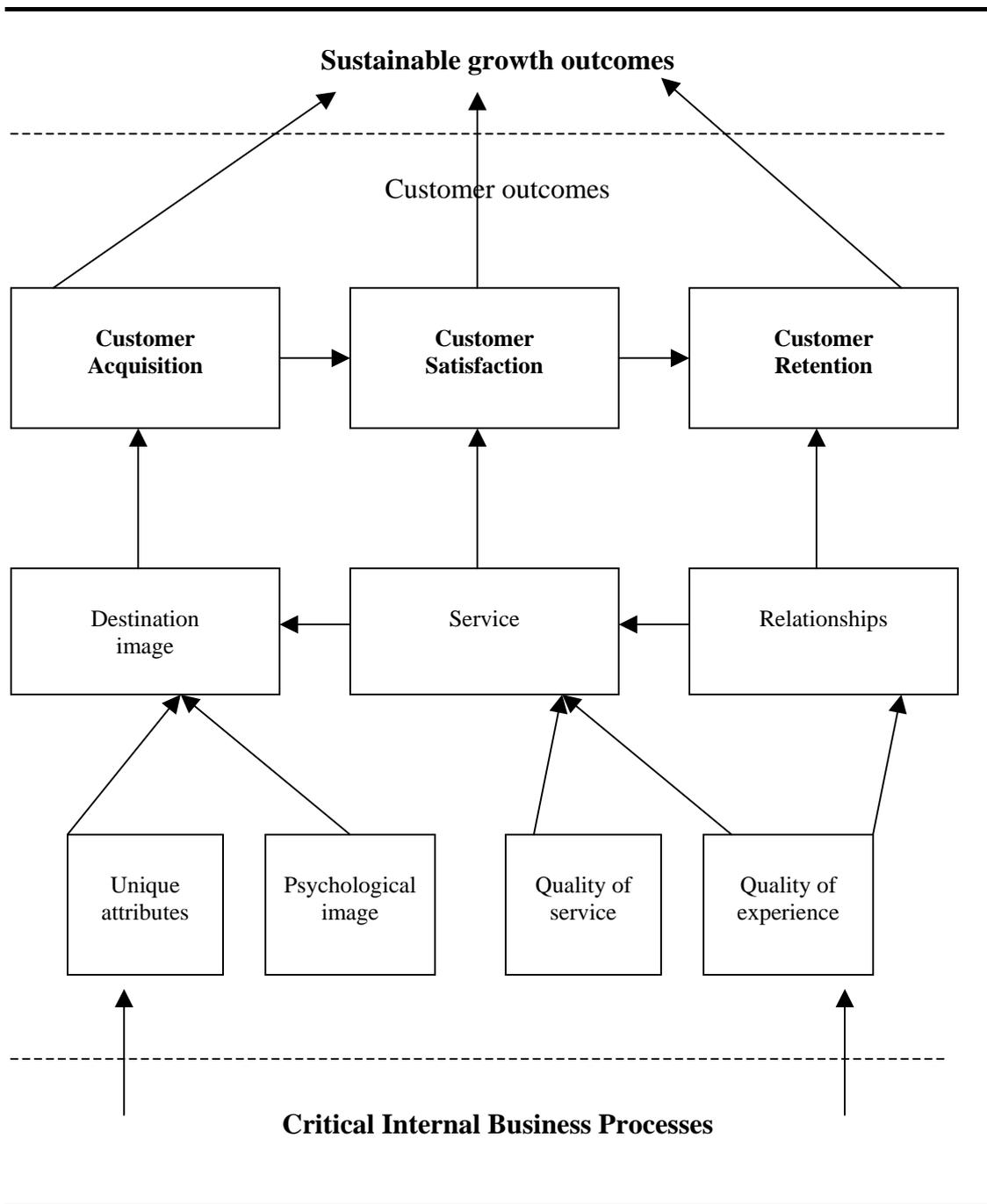
Figure 7.11 Linking unique value propositions to customer outcomes



Source: Kaplan & Norton [1996: 62]

The value categories identified are customer acquisition, customer satisfaction and customer retention. From the preceding exposition the customer perspective for a tourism destination could be portrayed as shown in Figure 7.12.

Figure 7.12 Tourism destination balanced scorecard: Customer perspective

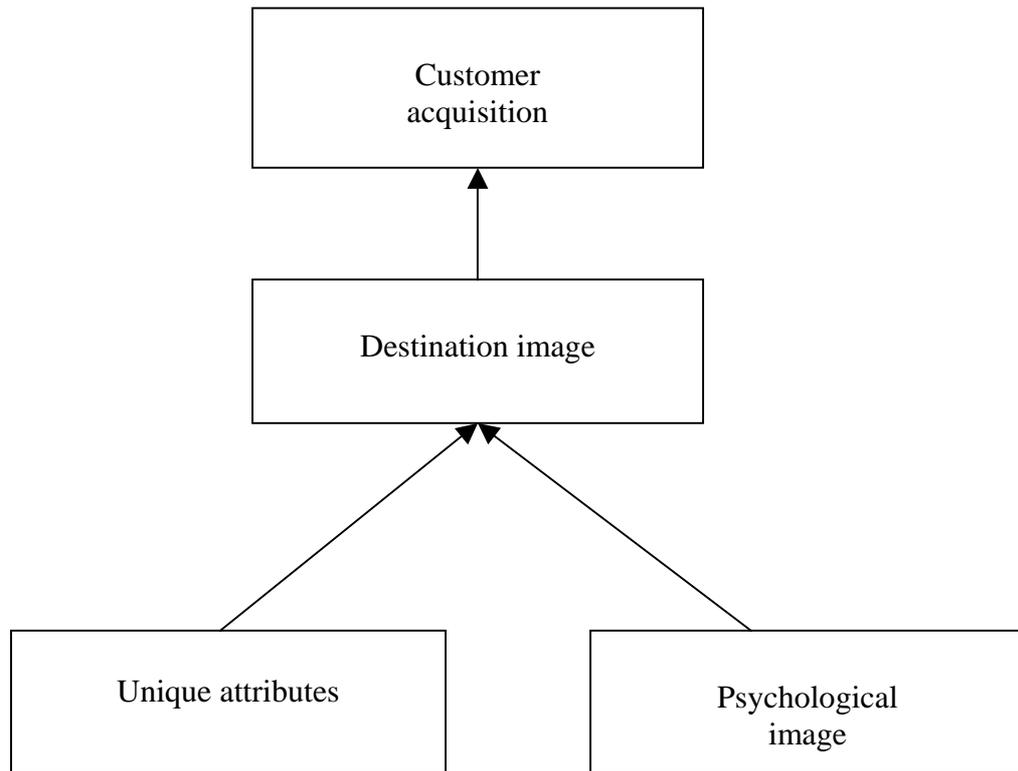


Source: Adapted from Kaplan & Norton [1996: 62] and applied to a tourism destination

□ *Customer acquisition*

The customer acquisition perspective with its supporting success areas are portrayed in Figure 7.13.

Figure 7.13 Customer acquisition perspective



Source: Researcher's own construction

Various literature on tourism, particularly that of Fakey and Crompton [1991: 12] and Kim [1998: 341], indicate that the primary goal in promoting a destination is to project a positive image to potential tourists so that it becomes desirable to them. Kim [1998: 341] postulates that it is necessary to thoroughly examine an area's image in terms of its psychological or perceptual value, as well as its various potential tourism-orientated activities and attractions. A destination image may be referred to as the visual or mental impression of a place or product experienced by the potential customer [Milman & Pizam, 1995: 102]. When initial credibility differs from the customer's perceptions of a destination, the perception of the image will determine

that destination's success or failure. It is therefore critical for any destination to sustain an impression that matches that of the customers' it tries to serve [Davidoff & Davidoff, 1994: 100]. Kim [1998:341] argues that despite the availability of a wide variety of attractions, some destinations fail to fulfil their tourism potential mainly because their promotion is not themed or targeted effectively.

Kim [1998: 358] found that critical success factors for customers can be identified by the perceptual map of major destination attributes and tourist seasonal preferences. These destination attributes include tangible as well as intangible attributes that determine the attractiveness of a destination to a particular tourist in a given travel situation. The individual choice of whether a destination is attractive or not will be founded on evaluations of these attributes. The attractiveness success factors identified by Kim [1998: 354] in his study, are given in Table 7.4.

Table 7.4 Attractiveness success factors with applicable variables

Factor Name [% of Variance]	Variables Loading on Factor
F1. Seasonal and Cultural Attractiveness [21.1%]	Seasonal attractiveness Uniqueness of the place Plenty of fun and sightseeing Cultural experience and historical sites
F2. Clean and Peaceful Environment [9.6%]	Quiet and peacefulness Cleanness and sanitation Natural environment of fresh air and clean water Price levels
F3. Quality of Accommodations and Relaxing Facilities [8.2%]	Available, quality of lodging/accommodations Restful, relaxing facilities A variety of types of foods and beverages
F4. Family-oriented Amenities and Safety [6.8%]	Suitability for families with children Safety of the place New and different lifestyle experience with others
F5. Accessibility and Reputation [6.5%]	Time spent to the place Site reputation and famous image Convenient traffic and location
F6. Entertainment and Recreational Opportunities [5.4%]	Night life and evening entertainment Scenery and landscape Sports and recreational opportunities

Source: Kim [1998: 354]

Similar attractiveness research done in South Africa on international tourists is shown in Table 7.5.

Table 7.5 Attractiveness factors listed by international tourists to South Africa prior to visit

	Jan '95 %	Aug '95 %	Jan '96 %	Aug '96 %	Jan '97 %	Aug '97 %	Jan '98 %	Aug '98 %	Jan '99 %
Scenic beauty	33	24	29	30	34	31	33	31	36
Wildlife	19	23	21	30	26	33	26	34	30
Climate	20	7	15	8	22	7	21	8	24
Visiting friends/relatives		19	19	21	22	18	22	20	22
Experience African cultures	17	17	15	21	17	23	16	20	21
See SA after political change	24	26	21	26	24	25	23	22	18
Business interests		18	19	18	17	17	16	19	17
Curiosity	10	10	10	13	13	13	13	13	14
Value for money	8	3	5	6	8	6	8	5	10
Diversity of attractions	8	7	7	9	8	8	8	9	9
Medical facilities	2	2	2	4	4	3	4	2	2
Other attractions	9	2	3	4	2	4	2	4	3
Not a matter of choice	9	6	4	1	1	2	2	2	1
Total	159	164	170	191	198	190	194	190	207

Note: "VFR" & "Business interests" were only pre-listed in the Aug '95 survey. Respondents were allowed to mention two items.

Source: SATOUR [1999:46]

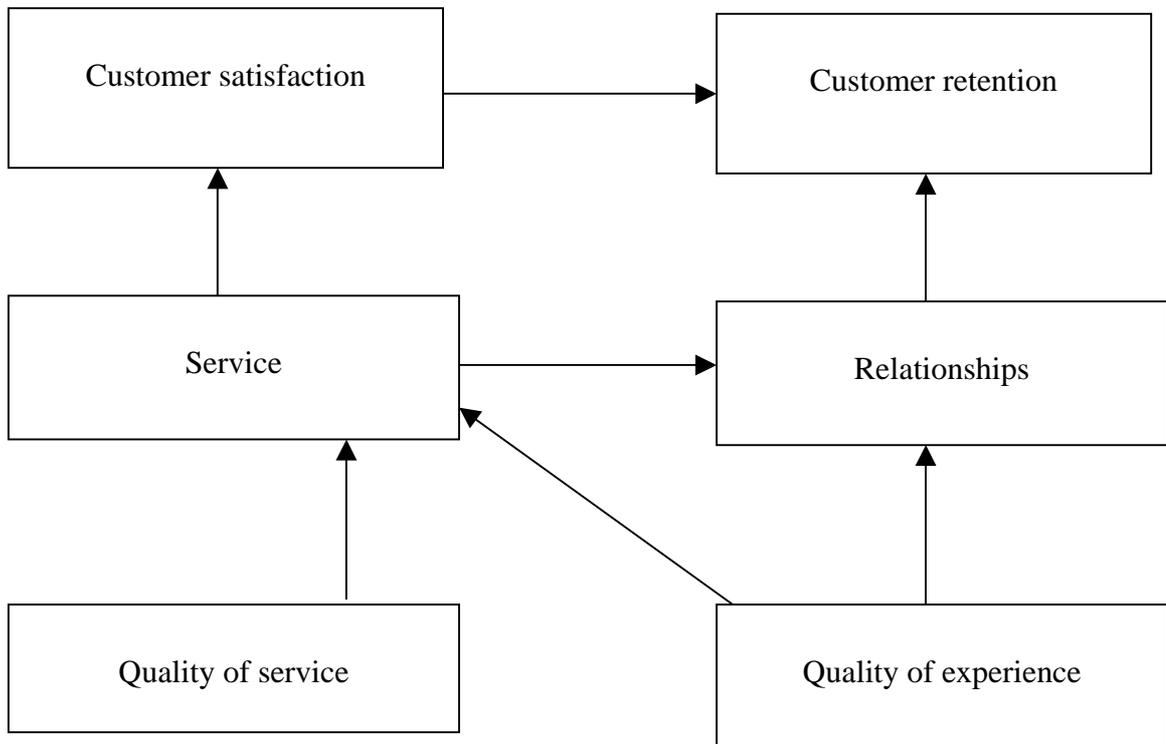
From Table 7.5 it is apparent that South Africa's wildlife and beautiful scenery were important and enduring reasons for foreign visitors to come to South Africa. Interest in wildlife has grown from 19% in January 1995 to 30% in 1999, to become an important draw card even in summer. Political changes continue to attract visitors, although this is showing a steady downward trend from a high of 26% in August 1996. Climate is, according to the research, an important attraction in summer.

The important question to be answered here is: What are the future attributes that will attract potential visitors to South Africa? And what are the factors that will positively influence the perception of potential visitors of South Africa as a tourism destination? Answers to these questions will be addressed in the empirical research.

□ **Customer satisfaction and retention**

Customer satisfaction and retention perspectives with their supporting success area and critical success factors are shown in Figure 7.14.

Figure 7.14 Customer satisfaction and retention perspective



Source: Researcher’s own construction

The generic critical success area identified for customer satisfaction [shown in Figure 7.14] is service. Tourism is specifically a service industry or an amalgam of service industries. Consequently, its management practices are typically concerned with such issues as quality and productivity, as they fall within the aegis of services marketing [Kirker & Crouch, 1994; and McCutcheon *et al*, 1994]. The above concerns are critical, and refer to the functional and technical aspects of the service delivery. Quality of experience, on the other hand, according to Otto and Ritchie [1996: 165], refers to the internal experience satisfaction of the visitor. Perhaps more than any other service industry tourism holds the potential to elicit strong emotional and experiential reactions by consumers.

Otto and Ritchie [1996: 167] point out that it is important to understand the range of needs which people seek to satisfy through their touristic behaviour and that these needs will move along a continuum from extrinsic to intrinsic as participants gain experience. Otto and Ritchie conclude that the measure of quality of the experience is

a useful complement to traditional quality of service measures. Table 7.6 depicts from a measurement standpoint the difference between the “quality of service” and the “quality of experience”.

Table 7.6 Comparison of quality of service and quality of experience Factors

FRAMEWORK	QOS	QOE
Measurement	Objective	Subjective
Evaluative model	Attribute-based	Holistic/Gestalt
Focus of evaluation	Company/service provider/service environment [external]	Self [internal]
Scope	Specific	General
Nature of benefits	Functional/Utilitarian	Experiential/Hedonic/Symbolic
Psychological representation	Cognitive/Attitudinal	Affective

Source: Otto & Ritchie [1996: 168]

In their study Otto and Ritchie [1996: 169] identify six specific dimensions in the quality of experience domain. The dimensions, with examples, are shown in Table 7.7.

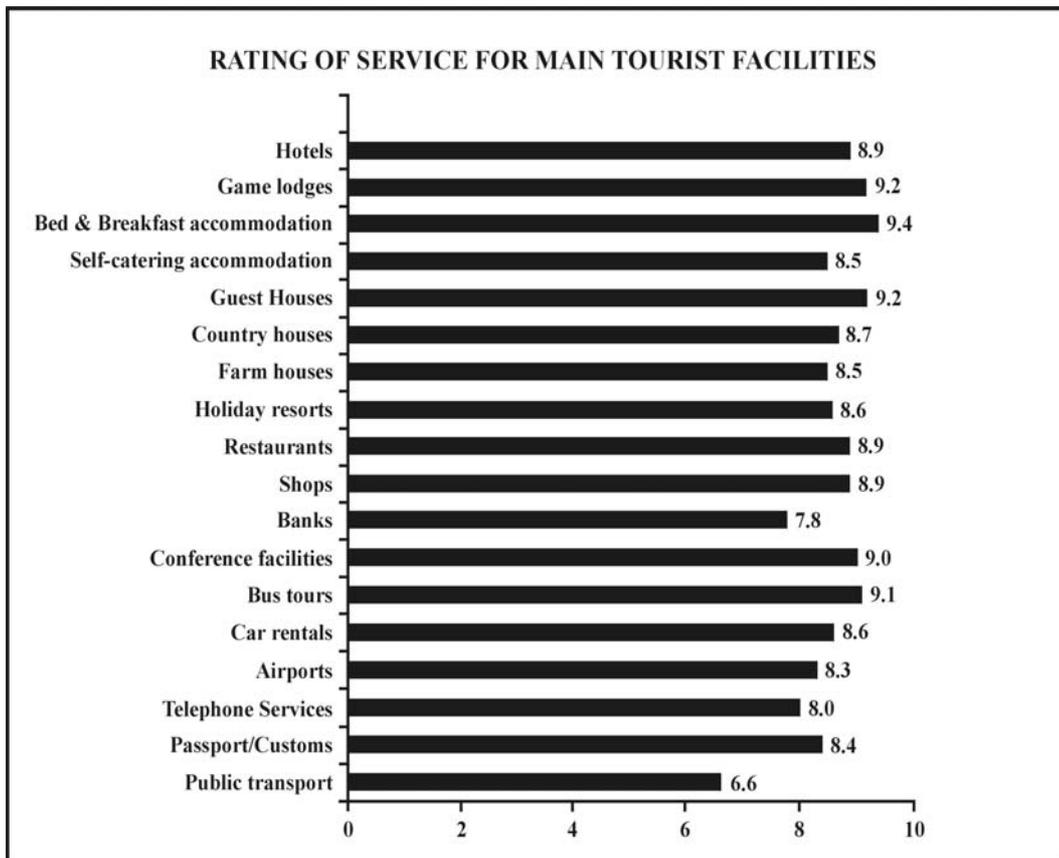
Table 7.7 Dimensions of the quality of experiences domain

Dimension	Examples
Hedonic	<ul style="list-style-type: none"> • Excitement • Enjoyment • Memorability
Interactive	<ul style="list-style-type: none"> • Meeting people • Being part of the process • Having choice
Novelty	<ul style="list-style-type: none"> • Escape • Doing something new
Comfort	<ul style="list-style-type: none"> • Physical comfort • Relaxation
Safety	<ul style="list-style-type: none"> • Personal safety • Security of belongings
Stimulation	<ul style="list-style-type: none"> • Educational and informative • Challenging

Source: Otto & Ritchie [1996: 169]

Research conducted in South Africa on the quality of service for main tourist facilities is shown in Figure 7.15.

Figure 7.15 Rating of service for main tourist facilities in South Africa



Source: SATOUR [1999: 93]

All the main tourist facilities achieved very good ratings for service with the exception of banks and public transport. It thus seems that these two sectors should receive attention in the future. Specific service aspects that were also measured by the SATOUR survey were friendliness and helpfulness, cleanliness and personal safety. High ratings were received for friendliness [9,0%] and helpfulness [8,7%] while cleanliness [7,7%] was below acceptable levels. Foreign visitors' perceptions of personal safety in South Africa was low [6,3%] and over half of foreign visitors [55%] feared for their personal safety, rating personal safety either "fair" [36%] or below "average" [19%] [SATOUR, 1999: 95].

[iii] Internal business process perspective

In the internal business process perspective managers identify the critical internal processes in which the destination must excel [Kaplan & Norton, 1996: 62].

According to Kaplan and Norton the critical internal business processes will enable the destination to:

- deliver on the value propositions of customers in targeted market segments; and
- satisfy stakeholders' expectations of sustainable growth.

The destination critical internal processes that will have the greatest impact on customer satisfaction and the achievement of the stakeholders sustainable growth objectives, should be identified and measured. Where traditional approaches monitor and improve existing business processes the balanced scorecard can identify entirely new processes in which the destination must excel to meet customer and sustainable growth objectives. [Kaplan & Norton, 1996: 63].

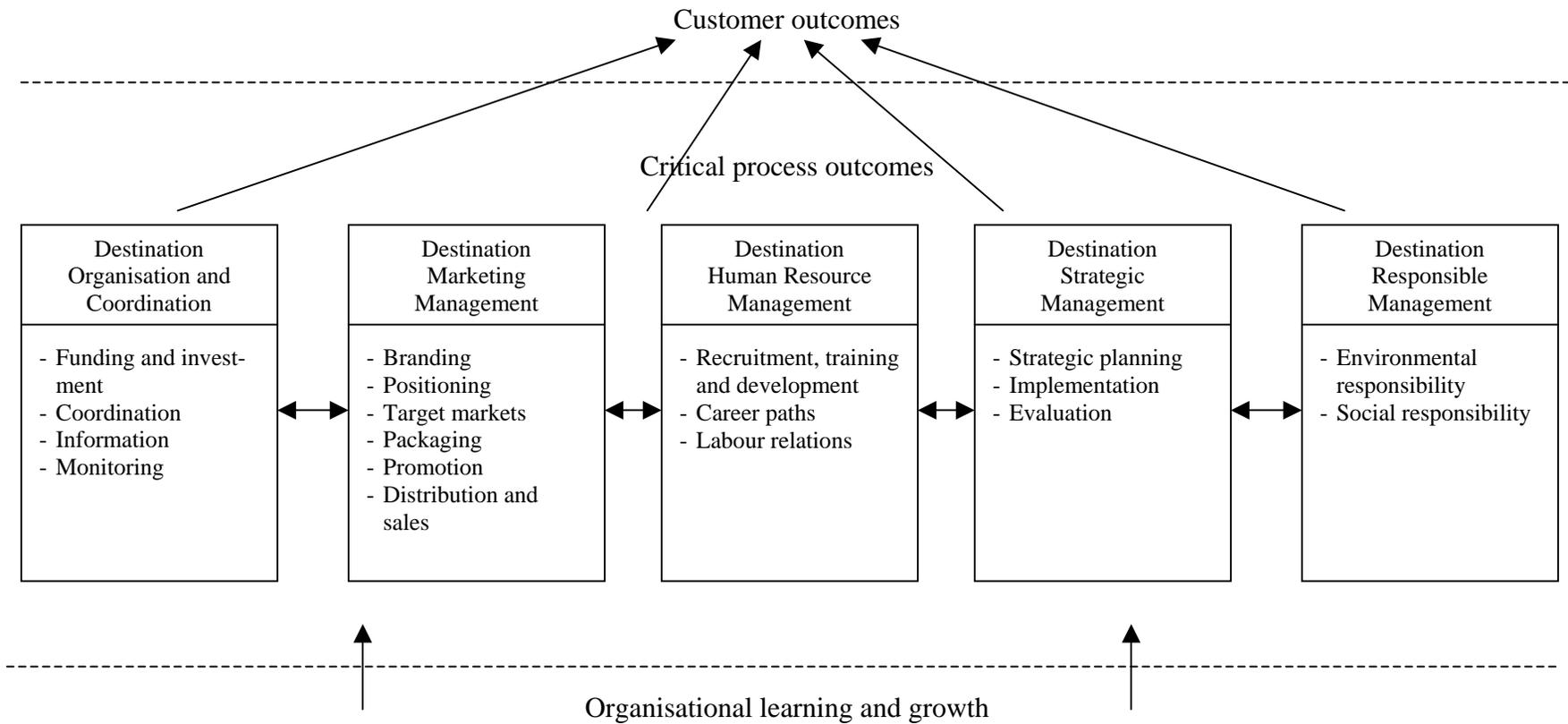
Crouch and Ritchie [2000: 3] and Dwyer [2001: 74] emphasize the importance of management processes in their destination competitiveness models. Mihalic [2000: 66] postulates that “a carefully selected and well executed programme of destination management can serve to improve the tourism competitiveness of the destination”.

Destination management processes are, according to Dwyer's model, those that can enhance the appeal of the core resources and attractions, strengthen the quality and effectiveness of customer service and the supporting factors and best adapt to situational conditions. The processes included in Dwyer's model are: destination management organisation, destination marketing management, destination policy planning and development, human resources development and environmental management [Dwyer, 2001].

The Crouch and Ritchie model [2000] puts all management processes together in the category “Destination Management” which comprises resource stewardship; finance and venture capital; organisation; human resource development; information research; quality of service and visitor management.

The critical process perspective for a tourism destination could therefore be portrayed as shown in Figure 7.16.

Figure 7.16 Tourism destination balanced scorecard: capital process perspective



Source: Researcher's own construction

The different management processes identified will now be discussed.

□ **Destination organisation and coordination**

Various areas and levels of government are involved in the promotion, regulation, presentation, planning, monitoring, maintenance, coordination, enhancement and organisation of tourism resources. As Buhalis [2000: 108] notes, Destination Management Organisations [DMO], which include visitor bureaus and national and regional tourism organisations “have overall responsibility for the entire destination product and facilitate the development of products, and create local partnerships for the delivery of seamless experiences”

Many of the factors underlying destination competitiveness are “public goods” and therefore government has an important role to play in achieving and maintaining destination competitiveness [Bueno, 1999: 323]. Dwyer [2001: 77] identifies three aspects of destination management organisation that are especially important to competitiveness. These are coordination, the provision of information and monitoring and evaluation. All three aspects are included in the framework portrayed in Figure 7.18, and the fourth aspect funding and investment is added. Crouch and Ritchie [2001: 11] identify finance and venture capital as important aspects for destination organisation and coordination.

The primary function of the destination management organisation is to serve as a coordinating body for the many public and private sector organisations involved in tourism. Secondly, each destination gathers and uses information effectively to improve its competitive position. Thirdly, strategic scanning and monitoring of the competitive environment is an integral part of strategy formulation and includes the need to systematically evaluate the effectiveness of previously implemented strategies. Lastly, ensuring appropriate funding and investment to sustain destination marketing operations specifically is critical to the competitiveness of the destination [Crouch & Ritchie, 2001: 12; and Dwyer, 2001: 79].

□ **Destination Marketing Management**

Destination marketing management refers to the overall marketing and promotion of the destination. Crouch and Ritchie [1999: 149] point out that it also includes attention to product packaging, promotion and effective distribution channels and sales. Branding, positioning and target-markets were added based on the literature review conducted in this study. Heath [2000: 14] also considers these aspects as important in the strategic marketing plan for tourism destinations.

Destination marketing is almost always the key responsibility of government agencies such as national destination marketing organisations [DMOs] and their provincial, regional and community counterparts, which again reinforces the key role of destination governments within the overall tourism system [Weaver & Opperman, 2000: 223].

□ **Destination Human Resource Management**

The human resource function is critical to the performance of any organisation. Bueno [1999] argues that in a tourism context “human resources are a central factor in achieving competitiveness because competition between organisations is determined by skills and competences”. Human resource development refers to a responsibility on a macro level to manage the human resources of the destination and includes recruitment, training and development, labour relations and career pathing [Fabricius, 2001: 76].

□ **Destination Strategic Management**

Destination strategic management starts with strategic direction and positioning where the philosophy, vision, strategic position and critical success factors for the destination are identified and formulated. It is the responsibility of the organisations at the macro-level to ensure that all stakeholders buy into the vision and the overall strategy to manage the strategic implementation and evaluation of these strategies. Crouch and Ritchie [2000: 3] refer to this process as tourism policy, planning and development and include in it philosophy, vision, audit, positioning, development,

competitive analysis and monitoring and evaluation.

□ **Destination Responsible Management**

Destination responsible management refers to the management of the social as well as the environmental responsibility of the destination. The economic success of the destination is dependent upon the continued well-being of the physical and social environment on which it is based [Brookfield, 1988; and Butler, 1991].

Crouch and Ritchie [2000: 3] and Dwyer [2001: 80] include destination responsible management as part of their competitiveness model. Dwyer calls it environmental management and includes the social aspects while Crouch and Ritchie call it resource stewardship. Stewardship recognises the importance of long-term “sustainable competitiveness” which is represented by the stewardship of ecological, social and cultural resources.

The Department of Environmental Affairs and Tourism [DEAT: 2003] proposes that responsible tourism is the key guiding principle and challenge for the future development of tourism in South Africa. They define responsible tourism as “a proactive approach by the tourism industry partners to develop the market and manage the tourism industry in a responsible manner to create competitive advantage. Responsible tourism implies a tourism industry that shows:

- responsibility to the environment through the promotion of sustainable tourism;
- responsibility of government and business to involve local communities;
- responsibility of local communities to become involved; and
- responsibility of the tourists to observe the norms and practices of the specific country with respect to the environment and culture.

[iv] **Organisational learning and growth perspective**

The fourth balanced scorecard perspective identifies the infra-structure that the destination must build to create long-term growth and improvement [Kaplan &

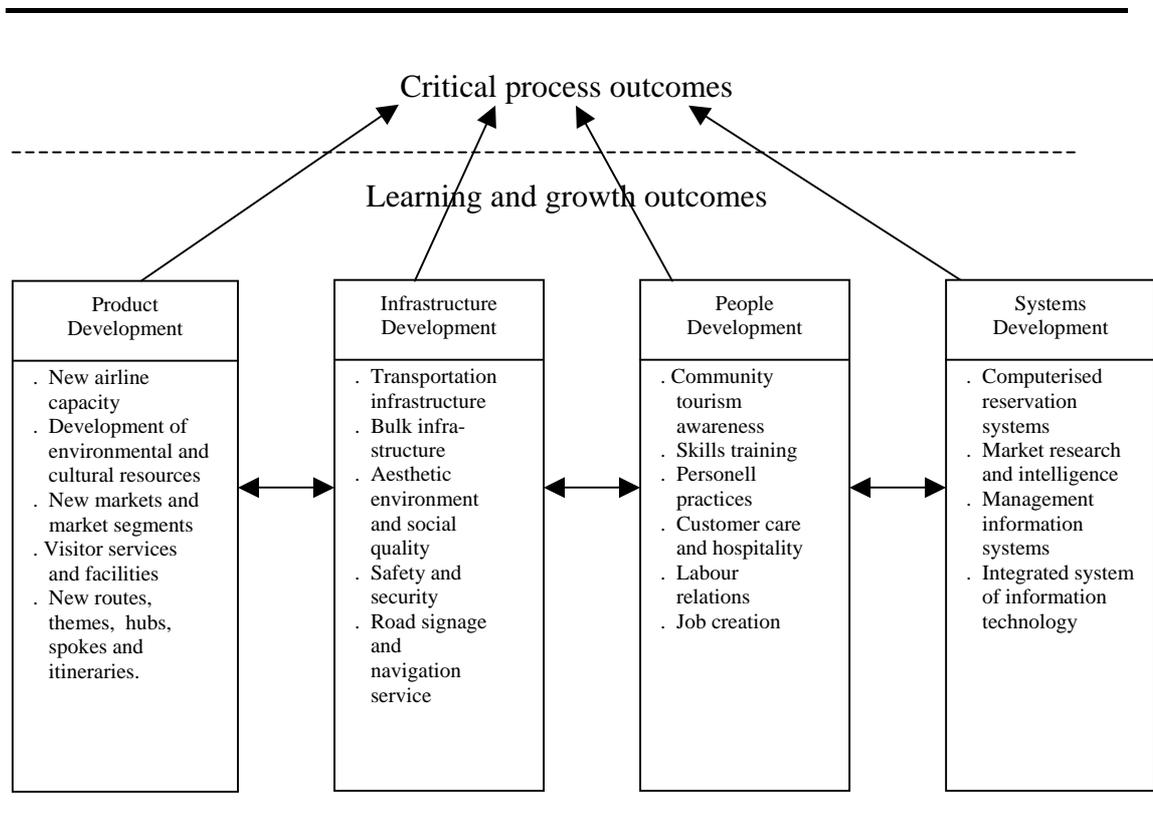
Norton, 1996: 63]. Destinations are unlikely to meet their long-term targets for customers and internal processes by simply using today's technologies and capabilities. International competition also requires that destinations continually improve their capabilities for delivering value to visitors and shareholders.

Kaplan and Norton [1996: 64] postulate that organisational learning and growth come from three principal sources: people, systems and organisational procedures. They argue that the customer and internal process perspectives on the balanced scorecard will typically reveal large gaps between the existing capabilities of people, systems and procedures and what will be required for success. To close these gaps destinations will have to invest in re-skilling employees, enhancing information technology and systems, and aligning organisational procedures and routines.

Fabricius [2001: 76] identifies five important support processes in his tourism destination value chain: destination planning and infrastructure; human resource development; product development; technology and systems; and related industries and procurement.

The learning and growth perspective for a tourism destination can be portrayed as shown in Figure 7.17.

Figure 7.17 Tourism destination balanced scorecard: Destination learning and growth perspective



Source: Contents from Fabricious [2001: 78-82]

□ **Product development**

Product development is of key importance to ensure constant renewal of the destination offering. Fabricius [2001: 81] points out that a distinction should be made between “plant”, ie. commercial services offered to visitors to satisfy their accommodation, catering and transportation needs, and “attractions”, ie. natural, cultural and man-made products that provide the major reasons for travellers to visit and experience destinations. While plant is mainly developed in support of the attractions of the destination and does not act as a primary motivator for travel, attractions are pre-requisites for stimulating travel to a destination. It is therefore of utmost importance that the attractions are constantly improved and expanded in accordance with new trends and developments in the marketplace. Fabricius [2001:

81] identifies the following value adding success factors for product development:

- airline capacity and destination access points;
 - environmental and cultural resources;
 - visitor services and facilities;
 - new markets and market segments; and
 - new routes, themes, hub/spokes and itineraries.
-
- **Infrastructure development**

Infrastructure development is an important supporting factor for the future growth of the destination. According to Fabricius [2001: 78], the physical image and infrastructure of the destination are key determinants of the quality of the visitor's experience. Murphy *et al* [2000: 103] found that the level or lack of infrastructure affects tourist experiences and that "tourism infrastructure" is an important predictor of both destination "quality" and perceived "trip value".

Fabricius [2001: 28] identifies the following success factors for the development of infrastructure for a tourism destination:

- transportation infrastructure such as public transport systems, roads, airports, rail ports;
 - bulk infrastructure such as telecommunications, water, electricity, recreation;
 - aesthetic environment and social quality;
 - safety and security management; and
 - road signage, navigation service.
-
- **People development**

Since tourism is a service industry, the quality of the visitor experience is largely determined by the quality of service and personal interaction at the destination. It is here where the competence gaps must be identified and addressed to enhance the competitiveness of the destination.

Fabricius [2001: 78] defines the following success factors for people development:

- community tourism awareness;
- skills training and education;
- appropriate personnel management practices;
- customer care and hospitality;
- labour relations; and
- job creation.

□ **Systems development**

Poon [1993: 169] argues that tourism information technology should not be a stand-alone technology that is adopted by tourism suppliers, but a whole, integrated system of information technologies that should be adopted by all players in the industry. These include global reservation systems, and operational and management information systems. Poon concludes that the diffusion of an integrated system of information technology could have four key learning and growth impacts, namely:

- it will improve the efficiency of production;
- it will improve the quality of services,;
- it will lead to the generation of new services [image communications, satellite printers, flexible holidays]; and
- it will lead to a whole new industry best practice that will substantially enhance the destination's competitiveness.

Fabricius [2001: 83] identifies the following success factors for systems development:

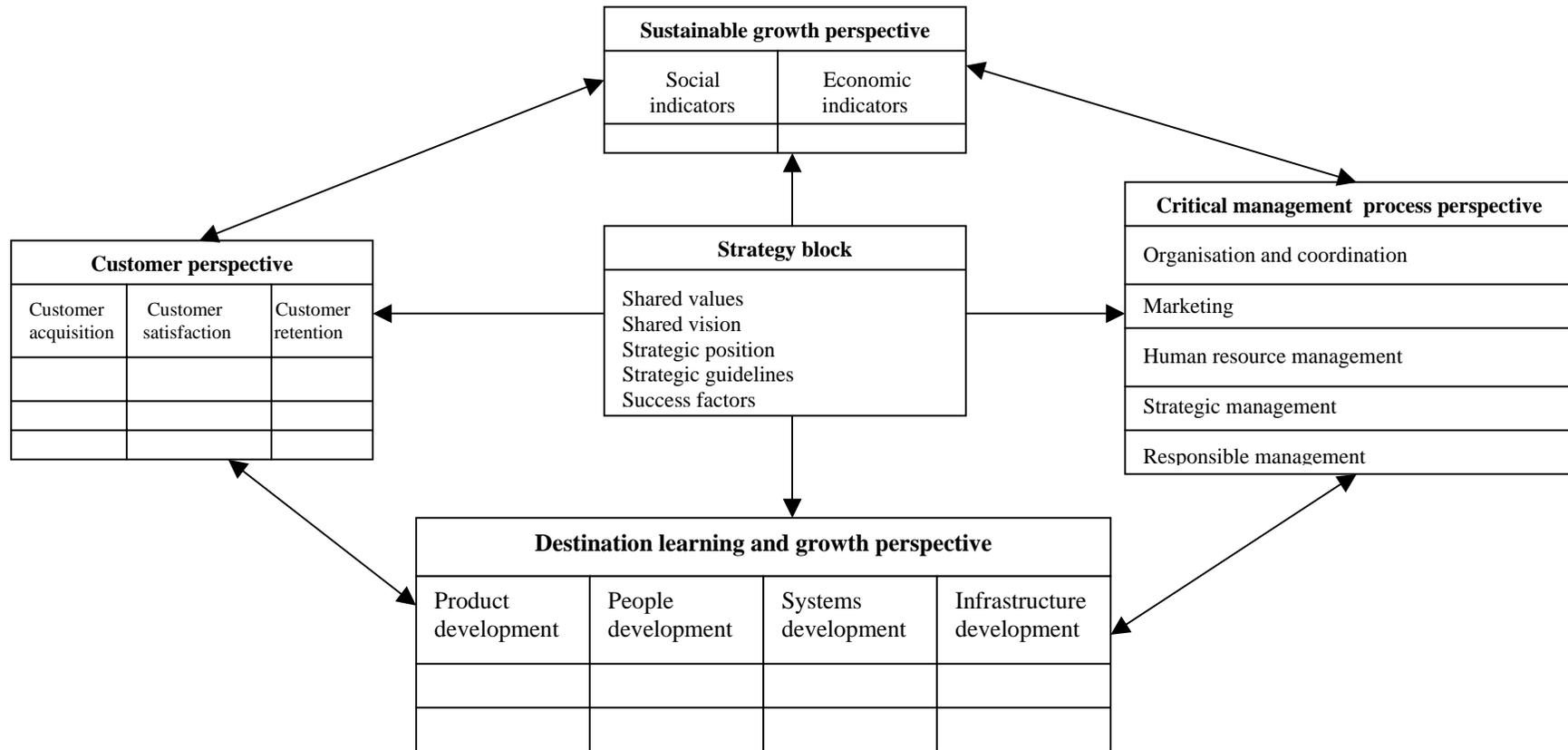
- computerised reservation systems;
- market research and intelligence;
- management information systems; and
- integrated systems of information technology.

[v] **A balanced scorecard framework for a tourism destination**

Based on the preceding expositions in this section and the analysis of the balanced

scorecard perspectives for a tourism destination, a basic balanced scorecard framework was put forward. The framework is shown in Figure 7.18.

Figure 7.18 Generic balanced scorecard framework for a tourism destination



Source: Researcher's own construction

The starting point is the strategy block [or 5 S block] consisting of the stakeholder values, a shared vision, a strategic position and guidelines, and success factors. All these factors were analysed earlier and discussed in this study. The purpose of this block is to provide a unified strategic direction and position point for the destination from which critical success factors and strategic guidelines will be developed.

The next step is identifying sustainable growth success indicators. These indicators are divided into social indicators to measure the social sub-goals of the tourism destination, and economic success indicators that will measure the economic sub-goals of the destination. This step is followed by the customer perspective where the most important customer acquisition, customer satisfaction, and customer retention success factors are identified. The ultimate goal of the customer perspective is to add optimum value to the customer experience at the tourism destination.

The critical process perspective identifies the critical internal processes in which the destination must excel to enable the destination to:

- deliver on the value propositions of customers; and
- satisfy stakeholders expectations and sustainable growth objectives.

The fourth balanced scorecard perspective identifies the infrastructure that the destination must build to create and sustain long-term growth, innovation and learning. Product, people systems and infrastructure critical success factors are identified that will bridge the gap between the present and future capabilities of the destination.

c] The integration of critical success factors using the balanced scorecard model

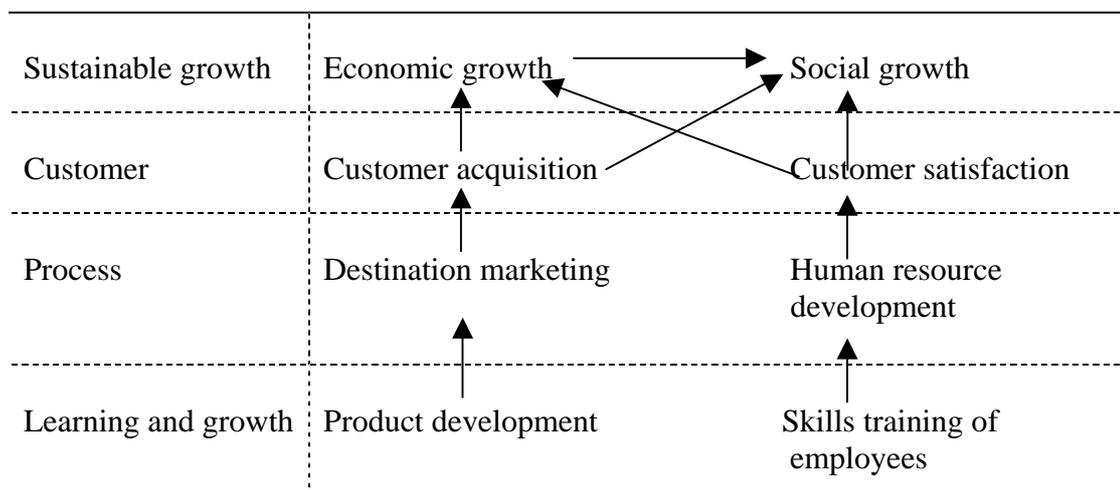
Kaplan and Norton [1996: 64] argue that balanced scorecards are much more than collections of critical success factors organised into several perspectives and argue that a properly constructed balanced scorecard should consist of a linked series of critical success factors and critical measures that are both consistent and mutually reinforcing. They illustrate this point by using the flight simulator as a metaphor. Like

the flight simulator, the scorecard should incorporate the complex set of cause-and-effect relationships among variables, including leads, lags and feedback loops that describe the trajectory, the flight plan, the strategy and vision of the destination.

Cause- and effect relationships can be expressed through a sequence of if-then statements.

Figure 7.19 shows the link that can be established between product development and employee skills training and sustainable growth.

Figure 7.19 Cause and effect relationships in a tourism destination balanced scorecard



Source: Researcher's own construction

Product development will enhance the destination marketing process and will ultimately increase customer acquisition. If employee skills training is enhanced employees will become more knowledgeable and their effectiveness in servicing customers will improve. If their service effectiveness improves, then more customers will be satisfied and retained. If the described processes lead to better customer acquisition, customer satisfaction and retention, it will lead to economic and social growth and thus increased sustainable growth for the destination as a whole.

7.3.3 Evaluation of integration models

Two models of integration were critically analysed and discussed in this chapter, namely, the Value Chain Analysis and the Balanced Scorecard. These models can now be evaluated by using the integration criteria identified in this chapter. A summary of this evaluation is shown in Table 7.8.

Table 7.8 An evaluation of the value chain and the balanced scorecard

Integration Criteria	Evaluation of integration:				
	1	2	3	4	5
	Not at all	To some extent	Reasonably	Largely	Absolutely
	Value chain		Balanced scorecard		
A. <u>Integration within strategy framework</u>					
Stakeholders' values		1			5
Shared vision		2			5
Strategic position		3			5
Strategic guidelines					
- Social guidelines		1			4
- Environmental guidelines		1			4
- Sustainable guidelines		1			4
- Competitive guidelines		3			5
Success factors [primary]		3			5
B. <u>Integration of market & resource driven processes</u>					
Competences, resources and capabilities integrated with product and market processes		5			5

Source: Researcher's own construction

Two evaluation criteria categories were used in the valuation: integration with the destination strategy framework and integration of market and resource driven processes.

The value chain model does not make specific provision for direct integration of the 5S factors as shown in Table 7.11. The value chain was originally introduced to shed light on the value added by separate steps in the manufacturing process with the focus on the analysis and integration of these value activities. This process was then linked to Porter's [1985] analysis of competitive advantage. It can therefore be assumed that the value chain will be developed within a specific strategic framework and that different strategic frameworks will lead to different value chains [Ambronis, 1998: 29].

In this study it was found that the integration of other strategic guidelines such as social guidelines, environmental guidelines and sustainable guidelines are of equal strategic importance for tourism destinations and should therefore be part of the integration process. The value chain model does not provide for this integration. A close examination of a value chain analysis for tourism destinations reveals that it is a very useful model for identifying and integrating critical success factors and capabilities within the primary and secondary value activities of the destination and is thus successful in integrating market and resource driven processes for competitive advantage.

The balanced scorecard model makes the overall strategic framework the centre of the model [Figure 7.18]. Kaplan and Norton [1996: 57] note that the main purpose of the model is to translate this strategic framework into specific critical success factors and measures. The strategic framework that serves as the "nerve centre" of the balanced scorecard made provision to clarify and integrate the strategic direction and position, as well as other strategic guidelines of importance for the destination. The balanced scorecard allows the destination to look at the destination from four important and balanced perspectives. The important market and resource driven processes are addressed in the critical process perspective which are balanced and integrated with the customer, learning and growth perspectives. By combining the four perspectives into one model, the balanced scorecard can help management to understand the inter-relationships and linkages between the different critical success factors.

An examination of the models thus reveals that the balanced scorecard model provides the best framework for identifying and integrating of critical success factors

for a tourism destination. The value chain analysis, however, could be valuable in analysing the value activities and identifying the gap between the present and desired capabilities of a destination. It could be used to supply information that could help in the formulation of critical success factors in the balanced scorecard framework. The balanced scorecard framework, as adapted for tourism destinations [shown in Figure 7.18], will therefore be accepted in this study as integration framework.

7.4 SUMMARY

The purpose of this chapter was to establish how the critical success factors of a tourism destination can best be identified and integrated in achieving sustainable growth and international competitiveness for the destination as a whole.

The important principles underlying the successful integration of critical success factors for a tourism destination were fully identified and critically discussed. Three principles were identified, namely the community involvement principle, the principle of sustainable and responsible tourism and the holistic principle. Two important integration phases were identified based on the above principles. The first phase was the integration of critical success factors within a policy and guideline framework. This means that the strategic planning process should be integrated within a framework of national goals, shareholder values, guidelines and a shared vision. Critical success factors should therefore be integrated in such a way that they reflect the national aspirations and will of the stakeholders and at the same time add optimum value to the international tourist. The second phase is the integration of market and resource driven critical success factors that will add optimum value for the tourists and stakeholders. Market factors refer to the business scope of the destination that specifies how the destination is competing and serving the dynamic needs of its market. Resource factors refer to the development of unique or critical competences and the protection, maintenance and development of critical resources that will allow the destination to achieve a sustainable competitive advantage.

A framework was needed to identify and integrate these critical success factors. Two integration models were critically evaluated and discussed, namely, the value chain

analysis [Porter, 1987] and the balanced scorecard [Kaplan & Norton, 1996]. The value chain analysis was found to be a useful analysis to identify and evaluate the critical success factors and capabilities in the destination's value chain. The balanced scorecard framework was, however, found to be the most appropriate. The most important advantages of using this framework for tourism destination success factor integration are the following:

- It allows full integration with the strategic framework of the destination: The starting point is the formulation of the strategy block consisting of the shared values and vision, and the strategic position and guidelines of the destination;
- It offers a balanced approach whereby critical success factors can be identified in four different perspectives;
- It allows for the integration of a linked series of critical success factors that are consistent and mutually reinforcing;
- It shows a logical pathway of strategic development leading to sustainable growth and international competitiveness for the destination as a whole.

This chapter concluded the discussion and investigation on the different components of the strategic management model developed in chapter 4.

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