

# **The Role of Tourism Destination Management Organisations in Hungary**

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## *Abstract*

*Early in 2008 Hungary will see the introduction of Project Support Applications targeted at the development of tourism destination management. Within the framework of the New Hungary National Development Plan, the programme is directed at establishing regional or micro-regional tourism management organisations, with the aim of supporting the coordination of tourism development within the given area or region and of controlling the tourism supply of the region.*

*Local or regional tourism authorities need to pay as much attention to the issue of learning as they give to marketing, both of which are equally important to a destination's wellbeing. These authorities are the public stakeholders with the greatest interest in establishing a tourism knowledge network. Marketing is itself a form of learning and the regional tourism authority is likely to be the main provider of learning experience involving this information.*

*The learning area will improve the quality of the destination which is being marketed as conditions for continuous learning and skill-levels start to develop. It will also improve the way in which the destination can be marketed, attracting a different workforce and clientèle.*

*Alternatively, a local council might find itself within a broader tourism learning area – in which case it can participate as part of a devolved system, adopting the ethos of a learning community, interacting accordingly with the relevant governing bodies and learning centres. It can also mirror the whole process, ensuring its contribution to learning area development holistically and effectively.*

*A specific aim of this paper is to show opportunities and models for destination management in Pécs (a 2010 European Capital of Culture) and its region. The aim of the ECoC project has changed: the notion of bonding through cultural awareness has given way to efforts to change the face, character and economic base of a city and re-defining its image as a place to live in. The regional role of the city has also become a focus. The new aim is to accelerate development and create a permanent regional capital.*

*Consequently, expectations of ECoC projects are based on the development of the infrastructure, on the visible transformation of the urban environment, on innovation, on culture and on the development of a rational tourism policy.*

*It is, however, evident that such factors demand considerable management expertise and an effective organisational structure which will facilitate not only the single ECoC project but also the continuing, sustainable development of the locality and its surrounding region. In fact, on this basis, the prospects for the Pécs ECoC year are not as reassuring as might have been wished, but, nevertheless, empirical research is underway aimed at generating a model for a tourism destination management organisation appropriate to Pécs at this time. The final results of this research are expected to be used to maintain sustainable city tourism, encouraging the local economy and the economic development of the surrounding region.*

**Keywords:** *Pilot Programme, DMO Survey, Proposal for Cooperation Model, Sustainable Tourism Development*

## **Introduction**

Destination Management Organisations (DMOs) are – as destinations themselves – varied in both character and size. Whether the organisation is a tightly-run, centrally-directed operation answerable only to the market or whether it is a weaker entity, widely-diffused and dependent upon goodwill and cooperation within a region is dictated by the nature of the destination itself.

Post-World War II mass tourism in Western Europe continued the pre-war tradition of short, low-cost holidays in resorts which had grown up catering for a relatively down-market sector. Even then, destinations were not always municipalities where the local authority was responsible for cleaning and patrolling the beaches and so forth; there were commercial enterprises which targeted the same market by providing “holiday-camps”, “holiday-villages” and the like where holiday-makers were catered for and entertained in such a way that they rarely left the site – and so spent the whole of their budget (basic and fringe expenses) with the operating company. Marketing and management techniques were needed and applied, although, with increasing prosperity, some such destinations have declined or disappeared. As prosperity spread, what survived (or developed from these roots) were such institutions as Club Med arrived and flourished. Up-market, self-contained resorts operated totally by a profit-led company where the location and facilities combined to persuade tourists to spend all of their time and money within the resort. This left little or no income for the local community whose interest was limited to providing unskilled employees. The location and the facilities (water-sports or casino) were all.

Perhaps the ultimate expression of this today is the cruise-ship where the prime destination is the ship and its ports of call are secondary. This applies not only to the lower end of the market (for example, the short Mediterranean cruise) but also to the extremely expensive, long, luxurious RTW (Round-the-World) cruises on the largest and most luxurious vessels ever built. Tourists/passengers are even more “captive”, being “released” briefly in port – sometimes after several days at sea.

The East European experience paralleled this to some extent in that state-inspired resorts consisting of stretches of identical beach on which were constructed rows or groups of identical (modest) hotels providing basic catering and limited recreational facilities for a public with little alternative choice. Marketing and management – at enterprise or local government level - were concepts which, in today’s terms, were scarcely recognised.

The picture today is, of course, dramatically different although far from uniform. Destinations are generally complex entities and depend upon the provision of a wide range of facilities by an equally wide range of entrepreneurs. These interests are generally so diverse or fragmented that any hope of appropriate maintenance and development being provided or emerging is unrealistic. “Appropriate” in this context must include the interests of all stakeholders – not simply those of the investors who (legitimately) seek profit, but also of the community, the residents of the destination. It is self-evident that such sustainable interests – overriding in their importance – can only be provided by a delicately shaped and sensitively run cooperation between the democratically elected representatives of the population and private business. To flourish, a local authority needs revenue, which can only come from productive economic activity within its boundaries. Local taxes on residential and business property values, to say nothing of a Tourist Tax, are sought for on the one hand. Restraints on development are likely to come from

residents who may object to their settlement becoming a noisy, violent centre for alcohol and drug abuse, gambling and other activities which are illegal, potentially so or socially unacceptable. A local authority in most jurisdictions has restrictive powers in the fields of planning permission, business licensing and taxation. Cooperation in the common interest is clearly vitally important.

DMOs are organisations responsible for the performance and development of the industry over the widest possible range of territories in terms of size – that is, from village to country. Changing and increasing with the potential for the industry to thrive amid huge competition. They should, in reality, be the engine of the tourism industry, irrespective of the size of territory under their control. The issue of who – which stakeholder - should control or dominate a DMO, however, should rarely be a problem, since it is only some form of PPP (Public-Private-Partnership) which can lock the interested parties into the operation which can have a serious potential to succeed – a factor which has especial relevance to the country under scrutiny – Hungary.

It must be accepted that, as asserted by Beritelli et al (2007), in centrally managed destinations (usually owned by one company) reactions to a changing market situation can be expected to be more decisive, more innovative, more rapidly and effectively implemented. However, it is difficult to conceive that such an unbalanced structure could serve the public interest, especially in the longer-term. It must also be accepted that a DMO which is purely a branch of public administration is equally unlikely to fulfil its task at all adequately. A total lack of experience in a competitive market situation could only be disastrous, and it is not merely in a country such as Hungary that this would be true. Since the constraints deriving from the involvement of some form of central authority (central, regional or local government-derived) must be present to balance the interests of the various stakeholders, the solution most likely to succeed must be a fully cooperative partnership. Such a body has all the necessary potential to introduce rational policies and principles of governance with the security of understanding and support from all interested parties.

This paper considers specific research issues or questions in the light of the relevant literature (Beritelli et. al 2007). The cardinal ones are: What, in realistic terms, can be derived from corporate governance theories to assist in the effective functioning of governance structures relating to destinations? How can the likelihood of success be enhanced? Which organisational form is the optimal in which context?

From different earlier theories (Coase, 1960; Jensen and Meckling, 1976; Williamson, 1979; Powell, 1990; Richter, 1994; Gulatti, 1998;) we can conclude that, for tourist destinations, destination management operated by the community is heavily dependent on networks which bring together a wide spectrum of relationships – essentially those which arise through practical or business considerations (transactional is an appropriate term now used) and others of a more personal nature. On the other hand, where we have a company-dominated situation, hierarchical relationships emerge more or less naturally, underlining, as Beritelli et al. put it, “the dyadic perspective”. In destinations where the community (in one form or another) is the driving force, serious progress in the effective strengthening of the network depends upon relatively informal links, together with relevant knowledge and a degree of mutual respect and trust.

As we attempt to construct a “best practice” model for a DMO (purely for domestic use, we should stress), it might be appropriate to evaluate the characteristics – the advantages

and disadvantages – of the alternative, and for this exercise we would again acknowledge the thoughtful construction of Beritelli et al. 2007 and the terms used by them.

In terms of *transaction costs* it is only to be expected that the corporate model proves more economical than the community model. However, the former is likely to come about due to the dominance of one or two entities which will bear the bulk together with their business partners whose interest coincides with theirs. There are likely to be more players in a community example and less focused operations. In the area of *power asymmetries* much the same can be expected – more diffuse on the part of the community model and more likely to be directed by the dominant firm or firms in the corporate.

*Interdependence*, possibly diffuse in a community model, is likely to be strong in a corporate example where the two main participants – community and company – recognise their need for each other and operate accordingly. In respect of the dual *trust and control* field the corporate model is likely to appear stronger since it is more likely that various corporate interests will be underpinned by clear agreements, formal or informal. With the community, public affirmation will be both necessary and decisive.

Differences between the two in terms of knowledge are likely to be quite strong, with the community model displaying a wide spectrum, often historical, which may or may not be relevant to the aims and needs of tourism. On the other hand, in the corporate model, knowledge is almost certain to be hard and detailed, although relatively narrow in being restricted to specific commercial interests of the parties concerned. *Informal or personal connections* are also likely to appear very different in that the community model will show a wide range of network-style connections with varying degrees of relevance or usefulness, whereas the corporate example would show few, although these would be much more likely to be highly relevant.

### ***The role of Destination Management Organisations***

The hypothesis of this paper and of the related empirical research is that, in the case of those countries such as Hungary, where a culture of cooperation has not yet developed, government assistance is needed to arouse community awareness and to handle the dynamics of what is now termed “co-opetition”. In such situations a clear and decisive “top-down” initiative is necessary as DMOs are organized for their future roles as both Coordinators and Stimulators.

The coordination role involves, firstly, an objective and exhaustive stocktaking exercise. How attractive is the destination? What is its market position and potential? What is the competition? How durable is the attractiveness? Is it sustainable? What resources are required and from where are they to come? These and numerous other questions need to be answered openly and honestly.

Thereafter the DMO needs to move into positive mode, but utilising the information gained from the stock-taking. Demand research with the participation of suppliers should lead to products and product packages being elaborated, and visible action should encourage local business to think cooperatively and to collaborate in both planning and more practical terms to activate a fully operational destination on the basic principles agreed.

Promotion and selling are, of course, hugely important activities with close agreement and collaboration again being to the benefit of all. This is not simply a cost-splitting exercise – that is, deciding the point at which the destination (the DMO) gives way to the

individual entrepreneur or company and the financial implications of this. All parties should agree on the image to be created (and perhaps in considerable detail) whilst the DMO should take the lead in what should, ideally, be a consensus-based process. A recognisable image which has emerged through common thinking and action is invaluable both for the destination as a whole and for the individual players.

The issue of competition (increasingly stiff in today's climate) demands DMO involvement not only as the leader in advertising and promoting the destination, but also in wider collaborative spheres – for example, in carrying out inter-regional, or even cross-border activity.

DMOs are basically responsible for development as it applies to the destination as a whole. If solid and well-balanced development is to be achieved, involvement should be the widest possible – starting with the local population (very possibly through the democratic process of local government) those with business interests of a direct and indirect nature should all be consulted and be made to feel that they have a part to play. This, also, is most likely to succeed in a community-driven organisation since a consensus is needed for optimal results. The DMO as a professional mentor should acquire the knowledge and the expertise to be able to show the way ahead to all concerned in a convincing manner - to innovate and to organise training to ensure a successful outcome.

Perhaps the final responsibility to be mentioned in this context relates to finance. Whilst the DMO itself is not a fund-provider it needs to act in many ways as Sales Director for the destination – and so indirectly generating the revenue needed for survival and, hopefully, success. To “sell” the idea of investment to private interests is the first vital step in the process of creating the destination, or at least its image. Public resources in relation to basic infrastructure can also be forthcoming if local support is clear and if private resources are also clearly attracted. Here the need is for the development of relationships – nationally and regionally, from central government to settlement level. Within the private sector an international dimension may also be involved - for example, by selling to operators the notion of scheduled or charter flights to import foreign visitors. In all cases the publicity machine needs to be working actively and constantly to stimulate and maintain public awareness within the community and to focus investor attention.

### ***Hungary and the reality of co-operation***

With very few exceptions, cooperation-building in Hungarian urban areas only started in 2004, and even then, any alliances above NUTS IV-level were created by government pressure and subsidies for urban development. Regions are still an artificial phenomenon in Hungarian administration and any initiative towards regional alliances is due entirely to the EU and their conditional financing arrangements. A number of semi-voluntary alliances (multi-purpose minor regions comprising 6-40 settlements based on population density) exist in such fields as social services and 'e-society' projects, but, in respect of tourism, the current regional administration system is quite contradictory. For example, NUTS II statistical regions do not coincide with touristic regions – clearly hindering applications for EU funding. The latest National Tourism Strategy now lays down a new, three-level (local-, regional- and national-level) organisational structure targeted at developing local DMOs. In the light of the traditional culture of mistrust which persists in

Hungary (specifically in the business sphere) we cannot exaggerate the importance of top-down initiatives effectively forcing cooperation if any such cooperation-based strategies are to be effective.

### ***Technological resources in the development of tourism***

In the 1990s, significant changes occurred in the tourism markets of the world, of Europe and of Hungary which has had enormous and lasting effects upon many facets of the industry. This is especially true for the Lake Balaton region where the market of the Socialist era – both domestic and international – collapsed following the change of regime. The years of continuing deterioration in the region's ability to attract visitors inevitably produced a long and deep crisis.

A response to this crisis can be found in the form of the Lake Balaton Development Coordination Agency – a collaboration initiated by a number of local authorities in the region. As mentioned previously, the Agency secured EU funding for the development of DMOs by the individual members of this form of collaboration. There is no question that considerable skills and effort have been invested into this particular initiative and the first results should not be long in appearing.

It will be extremely interesting to see the level of success in creating a *social framework* in the area assuring long-term cooperation amongst all interested parties – public and private alike. Even though this has been a common enough feature of the scene in Western Europe for many years, it will probably be “a first” in Hungary. Will a *strong information and knowledge base*, operating effectively at a professional level over the region emerge and establish itself? Will adequate *financial resources* be forthcoming stimulated by this initiative?

### ***National survey summary regarding Hungarian DMOs***

The writer has prepared a short, narrowly focused survey on Destination Management Organisations in Hungary. This relates to the (ROP-related) financial assistance promised for late-Spring 2008 to help tourism in Hungary foster such organisations – which are to be devoted exclusively to the coherent and organised development of the industry.

An important element in this are the views of professionals in the area and, with this in mind, the writer consulted the list of participants in the topic-related conference held in Budapest in February 2007, selecting individuals on the basis of their home-organisation (national, regional or local).

This questionnaire is based upon an earlier World Tourism Organisation exercise (2004) in which Hungary did not take part. The results are intended to assist our understanding of the current situation regarding tourism DMOs in Hungary, to map their current structure and help to find ways for future improvement. A number of the responses were, in fact, both helpful and revealing and the writer acknowledges these in the reference list at the end of this presentation.

The survey includes specific data relating to the size and scale of DMOs as well as their opinions on key issues and the role of international organisations such as the WTO. *Future surveys could build upon the knowledge gathered here, and may focus on specific topics in addition to those covered within the initial research.*

Of the 35 DMOs approached, 34% responded, mostly through an on-line survey; providing a sample of organisations at Regional, County or City/Settlement level. This

report, therefore, examines in outline the profile of these three types of organisation. (For unknown reasons, National Tourism Authority or National Tourism Organisation representatives have not responded.)

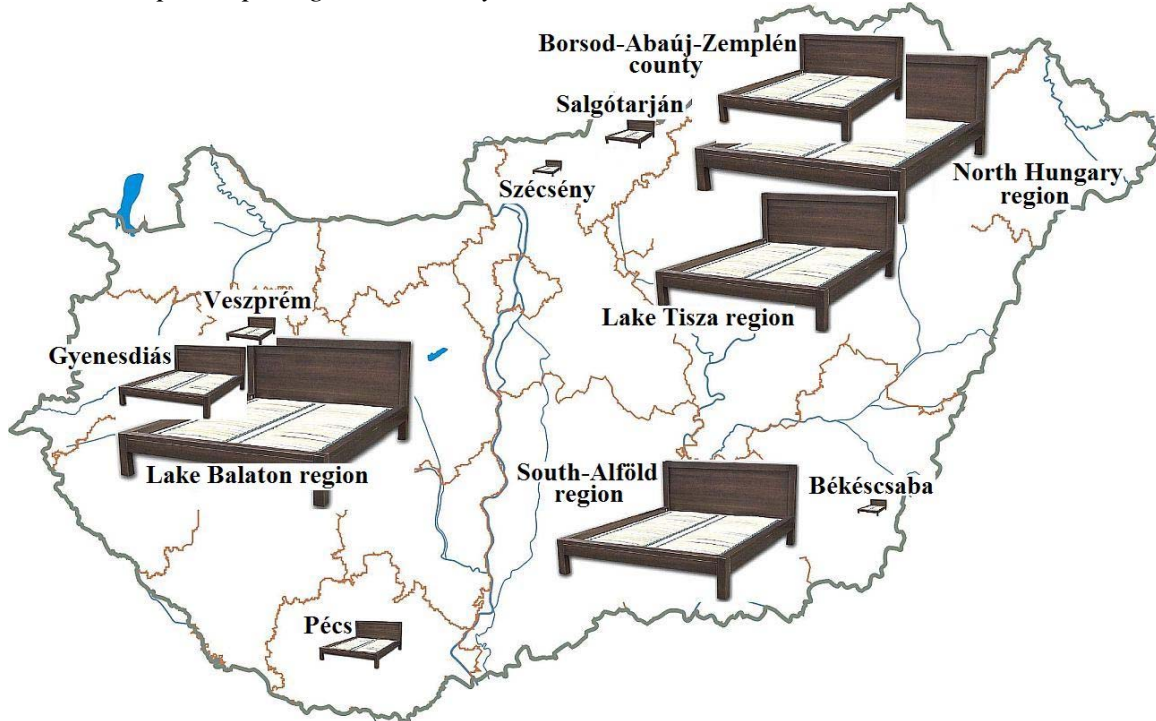
The structure and governance of tourism management organisations in Hungary *does not show a high level of consistency* – there are a profit-driven commercial company, an agency accountable to a regional government organisation, a national government department and one “other” - each representing 8% of the sample; 15% respectively apply to a department of regional, provincial, state or local government organisation or to a non-profit association of tourism businesses. There is a much higher level of private sector involvement (38%) through some form of public-private partnership, particularly at city/settlement level.

All the organisations surveyed here are small in size (up to 10 full-time equivalent staff) and in spending power. 50 % of the total sample have operational budgets of more than HUF 25 million, and 63% have marketing budgets above HUF 10 million. The survey shows that higher (regional) level organisations had a substantially higher overall budget than those at lower (county and city/settlement) level. More than 70% of this came from national/regional or local government sources as opposed to 30% of tourism-related or advertising income from businesses in the sector. This includes surprisingly low revenue from tourist tax (1.64%) and membership fees from tourism businesses (2%).

The map below (*Figure 1*) shows the tourism bed capacity of those regional-, county- and settlement-level organisations which responded. This shows that, proportionately, regions have higher numbers than micro-regions or settlements:

The map also shows that those tourism DMOs which responded to the questionnaire are either already innovative, having completed a “flagship” project in Hungary – the Balaton Tourism Project Office, the host association of a pilot project and the first “pattern” settlement Gyenesdiás – or are willing to become innovative and make reforms to introduce tourism DMOs in the near future (the North Hungary Region, the Tisza Region and the Southern Great Plain Region – the last having already completed a training project in this connection). Unfortunately, the traditional tourism regions of Budapest, also incorporating the highest level national tourism organisations, and West Transdanubia, which has the benefit of physical proximity to the biggest “tourist sending” countries) have not responded.

Figure 1: Availability of tourism beds in the Hungarian regions/micro-regions/settlements participating in the survey



Source: The author's own survey. Designed by Csilla Klára Molnár.

Core marketing and product development activities, information collection and reservations roles are undertaken by each type of DMO. DMOs engage in a wide range of marketing activities, and that range of activities does not necessarily decrease where budgets are lower. It is clear that, in the majority of smaller DMOs, resources are thinly spread, in attempts to meet the needs of different groups of stakeholders.

For all types of Hungarian DMOs surveyed, the use of 'new media' activities will represent an increasingly important aspect of their marketing. These anticipated growth areas for the next 3 years include:

- CRM (Customer relationship management) - a 25% increase planned,
- Email Marketing - a 33% increase forecast.
- The use of IT systems facilitating the input of information and content to be handled on a distributed basis – i.e. not having to be channelled through a central department – a 17% increase forecast,
- Real-time Web reservations services – a 16% increase in planning is expected.

Probably the greatest change in the operating environment for these organisations has been the switch to the Internet as the preferred medium for consumers to obtain destination information and, to a more limited extent, the growth of online purchasing of travel products. From this point of view the North Balaton settlements (*Figure 2*) – among them the “best-practice” holiday village Gyenesdiás (the e-Festival 2nd place winner for information-providing through digital media application) can also be considered as examples to follow:

Figure 2: DESTOUR Online Regional Tourism Destination Management System in Hungary



Source: Based on the author's own survey. Designed by Csilla Klára Molnár.

Despite the fact that, of the roles seen as important for International Tourism Organisations, the most highly ranked were market research and the publication of international tourism trends; only one regional level organisation declared itself as a member of the WTO.

The study asked DMOs for their opinions on both the way tourism structures worked in their own country and the role of the public sector in promoting tourism. The sample showed that 50% of the respondents thought that the tourism structure in Hungary sometimes does not work well and 17% thought that it works badly.

59% of all surveyed organisations supported a continuing important role for the public sector in destination management and marketing, but all (100%) agreed that “A *public private partnership* is the best way to promote and organize destinations”. There was also a very high level of agreement (92%) that tourism development, management, marketing and promotion should be managed within an *integrated structure*.

A key lesson of this survey was that, in order to promote a high response rate, the questionnaire should be whenever possible in the native tongue. The writer's first attempt was to provide the questions in English, but a significantly higher response was provided

to the Hungarian version, even though one could expect greater familiarity with English in the tourism industry.

This research was not intended to constitute an isolated “one-off” survey in Hungary, but to establish a source of knowledge about Hungarian DMOs. Now, as the North Balaton Agency demonstrated, the writer would like to stress the importance of joining the WTO initiative, which is Web-based and continuously updated. This would facilitate tracking trends in the country and in the whole tourism market.

In relation to Pécs, the writer was unable to obtain a clear picture of the existing tourism DMO system, but, from the only interview granted (by the county organisation manager) it emerged that the planning process has started with the participation of all local stakeholders of tourism and economic development, and, in view of the cultural difficulties referred to earlier, progress will be in this will be interesting to observe. The aim of this paper and of the underlying research is to support this process.

### **A development strategy for Pécs**

Briefly, Pécs is a medium-sized town or city with a historic centre and a cultural and intellectual atmosphere, although with little remaining of a normal industrial background. It is a centre providing services for its region (education, technology, R&D), a minor tourist destination, an administrative centre, a regional hub with national and international connections and a religious centre. It is located less than 30 km for the Southern border of Hungary (with Croatia) and also in the southern part of its region – South Transdanubia. It should also be mentioned that it is beset with a huge financial crisis

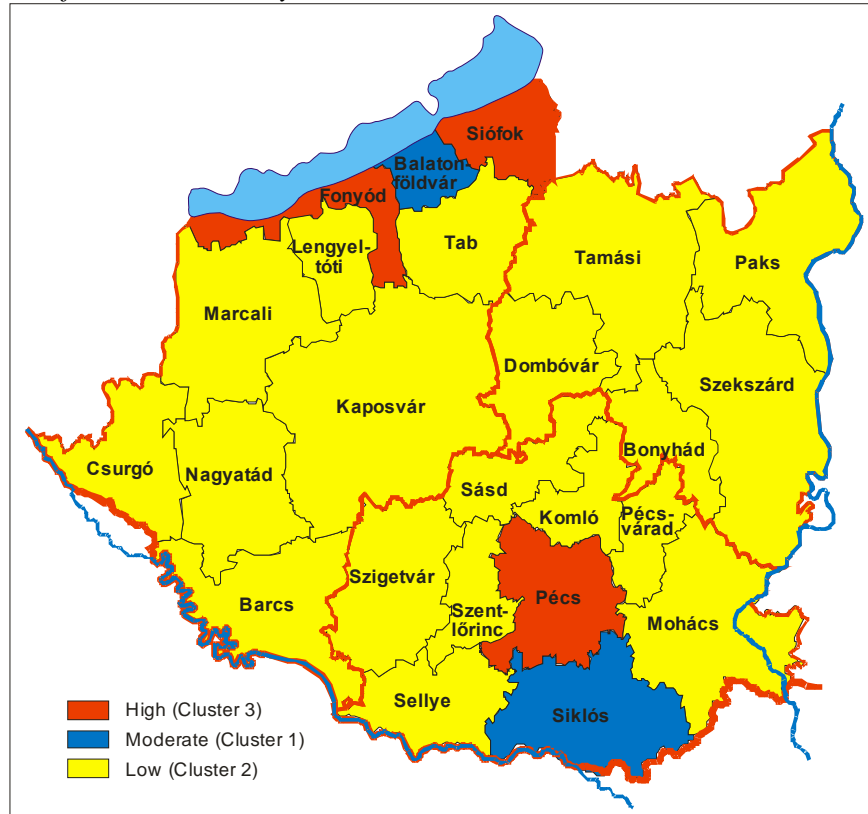
In the new millennium Hungary, a heavily mono-centric country introduced a National Development Policy Pole Programme, which, together with the ECoC 2010 programme, generated high expectations. In Hungary there are few serious provincial centres and the Pole Programme .intended these to be the driving forces of development in their region. Others focused on industrial development, but Pécs does not have the capacity to compete in this and so chose an alternative direction, dubbing itself the “Quality of Life Pole”. The city targeted the relevant industries and services, such as the Health and Environmental industries and the Culture industry. “Health” includes medical treatment, the production of healthy food and sports facilities, together with medicinal and wellness tourism. The “Environmental” cluster involves the creation of an eco-city highlighting energy, waste-management, landscape protection etc. “Culture” had, as its prime component, the “European Capital of Culture - Pécs 2010” programme.

For this last, Pécs strategy talked of complementary sub-programmes, but each depends on National Strategic Reference Funds (2007-2013), and other demands on these funds offer little prospect of success. The “own resources” needed for the planned programmes would swallow all the available funds of a hugely debt-burdened local authority, leaving the private sphere as the only hope, even though this was expected to participate in developing other sectors also.

The ECoC project is certainly important – extremely so as the potential creator of an image for the city as a world-class centre of culture, education and intellectual resources. However, and especially in view of the current financial and political situation which is forcing all concerned to lower their expectations very substantially, it must be re-evaluated as no more than one single tool (among many) if Pécs is to become a dynamic

regional centre. We need to concentrate now on the post-2010 years and direct all our resources accordingly, in case the ECoC opportunity is an opportunity lost or wasted.

Figure 3: The tourism categorisation of the South Transdanubian micro-regions based on the results of the cluster analysis



Source: As postulated by the author (Factors used: aggregated figures of the annual averages of tourist arrivals, available bed-places per 1,000 inhabitants and average length of visitors' stay).  
Designed by Valéria Fonyódi.

South-Transdanubia is characterised by its *peripheral location*, by its isolation (with settlements sometimes accessible only with difficulty), by the lack of transport corridors (both North-South and East-West) and by its few border crossings. The collapse and disappearance of its earlier industrial base and of mining have completely re-structured its economy. The inflow of foreign capital is extremely low, the region is the weakest in terms of the number of SMEs, and it has an underdeveloped business and services sector. By way of contrast, the R&D activity level is outstanding, its agrarian ecological potential is excellent and unemployment is below the national level. The region clearly reflects different historical periods, cultures and landscapes, and has the reputation of being a meeting point of nations. In total, it has, perhaps, the richest supply of attractions to offer the tourist and, with the help of the slogan “Hungarian Mediterranean”, bases its appeal on a human-centred approach, on a glorious landscape, on tranquillity (even silence) and on health preservation. Consequently, health-, eco-, wine-, village- and hunting-tourism and the like have become key products. Two of Hungary’s six golf-courses are here, and the region boasts the greatest number of traditional craftsmen. The region, of course, adjoins the Balaton region, but it is attempting, clearly and consciously,

to compensate for the negative effect of its background and peripheral location. Amongst the attractions, the rich variety of culture, and the life deriving from both this and from viticulture, have earned a level of recognition of true *international* calibre, whilst the historical sites and the thermal and medicinal baths represent categories of *national* importance.

The map (*Figure 3*) shows the result of earlier research by the author from which factor analysis showed that in the Region of South Transdanubia, apart from the Balaton micro-regions, the only exclusively tourism-related regions are Pécs and the adjoining micro-region of Siklos, which includes the spa town of Harkany and the wine region of Villany. Nonetheless, the above values, the strength of this region, can be developed into competitive tourism products, even at international level, assuming continuous improvement in high quality and complex services – which is a highly prioritised activity both in national (National Development Plan) and in regional planning (South-Transdanubian Regional Marketing Directorate). It is interesting, however, that the new Hungarian National Tourism Development Strategy (collated in 2004) still makes no mention, amongst the various development options, of city tourism as a potential product for the region.

The author's personal conviction is that an overall improvement of tourism in the region can be brought about only with the development of centres of tourism industry including what we might term "tourism cities". These could positively influence the development of the infrastructure and could stimulate economic activity, even in places located far from such centres. The wide-ranging networking connections among the members of such industrial centres are much more efficient than those of individual companies attempting to build up co-operation without participating in any grouping. In a typical tourist centre the visitors' experience depends not only on the primary attraction(s), but also on the quality and efficiency of the supplementary services (e.g., hotels, restaurants, shops and transportation facilities). As the members of the network mutually depend on each other, so the business performance of one fosters the other (Porter, 1998).

To be successful in these aims is of the greatest importance to build an efficiently operating tourism DMO at each level to fulfil the requirements of co-opetition, as laid out in the proposal.

### **Proposal for the creation of a social model for Tourism DMOs**

The aim of this section is to demonstrate the way to establish settlement/micro-regional/county/national level tourism associations in actual Hungarian circumstances which will be able to introduce and establish successfully tourism structures such as have operated for some years in Western Europe.

The basic requirement for the operation of the system is the *close co-operation* of local authorities and of tourism-related businesses in creating and operating the knowledge centre, in placing in the right hands the competences and responsibilities for agreement on cost-sharing, and, ultimately in *creating a regional-marketing structure for tourism* - supported from the top but built up from the bottom.

Following extensive research, and taking into consideration the Hungarian experience, the adaptability of the South-Tyrolean model seems the most rational solution for Hungarian conditions. A main feature of the model is its bottom-up construction.

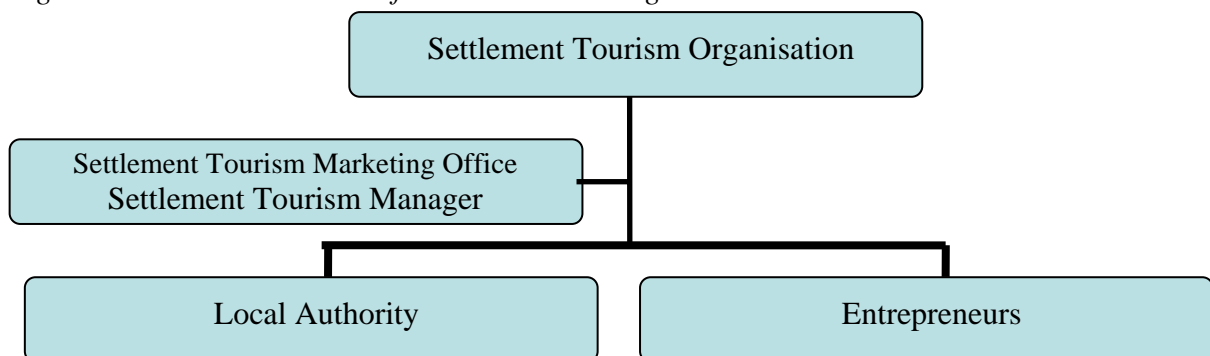
The Hungarian pilot project (the creation of the Balaton Partnership, to whom great credit should be paid for a thoughtful initiative) suggests the setting-up of tourism organisations at settlement-level (*Figure 4*) incorporating all stakeholders (civil or legal entities) interested in tourism, together with the local authority. Each member of the organisation should have voting rights.

The most important tasks of these organisations are to create information and service-providing facilities for tourists - including relaying tourism services information and accommodation reservations. They have the responsibility to transmit bookings and information but they do not have the authority to organise services for incoming tourists. They support and complement programmes and other initiatives, which might have a positive influence on tourism traffic. Their tasks are to initiate marketing projects and to preserve and increase the value of the natural, artistic and historical heritage of the settlement. They should assist in the operation of those establishments and services which directly serve the tourism industry, maintaining continuous connections with the service-providers. They are also expected to handle customer complaints, to help guests with information and animation. One of the most important tasks is to assist a settlement with its physical development and an appearance appropriate for a holiday resort. All in all, the creation and co-ordination of a complex but unified tourism supply for the settlement is crucial.

Finance for the organisations is provided by membership fees, a subsidy from the local authority or authorities, standard, regular contributions from the county (assuming that the county's strategy allows this), from sponsorship, from business activities and from community-owned assets.

The local authorities give the organisations that proportion of their resources which they allocate to tourism-related marketing activity, but they retain that proportion scheduled for tourism development. In this way, settlement marketing is outsourced to settlement tourism organisations. For the successful operation of the organisation it is vital to employ at least one tourism specialist who is trained in destination management. In larger settlements and cities it is advisable to establish a tourism marketing office operated not by the local authority but by the settlement's own tourism organisation (or an association created with the co-operation of several settlements).

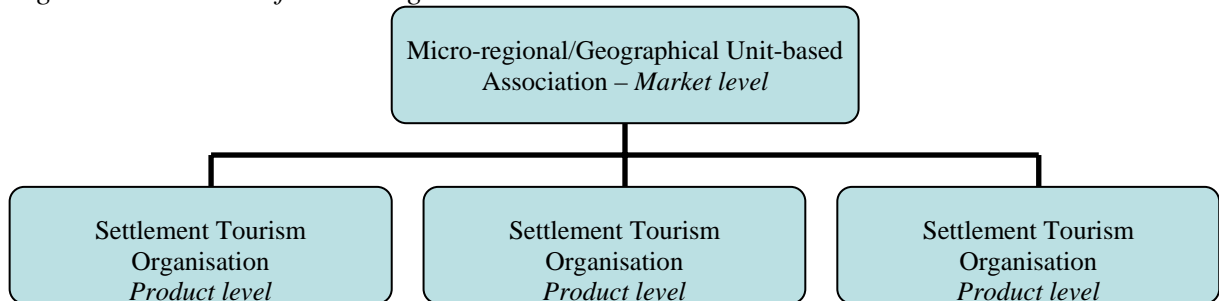
*Figure 4: The establishment of settlement level organisations*



Source: Based on Balaton Partnership Programme. ([www.balatonregion.hu](http://www.balatonregion.hu))

Tourism Associations (*Figure 5*) derive from the cooperation of Tourism Organisations of homogeneous characteristics from a tourism point of view. The aim of this cooperation is to improve both the effectiveness and the efficiency of marketing. The associations should be responsible for the general marketing of the settlement and regional destinations, for cross-cooperation in tourism operations at settlement level, for decisions involving common aims and for the harmonisation of the activities of different tourism organisations. They coordinate and complete programmes which reach beyond actual settlement level. They communicate tourism services and reservations, plan the image of the micro-regional destination, position it in the market and undertake marketing at national and international fairs. Sales promotion, media activity and communication, strategic development and nurturing strategic partnerships are also crucial tasks. Where tourism associations are to be established, it is extremely important that it should be possible for the smaller micro-regions which are less popular in touristic terms to participate in the associations operating in the regional centre without the need to create settlement organisations.

*Figure 5: The level of micro-regional associations*



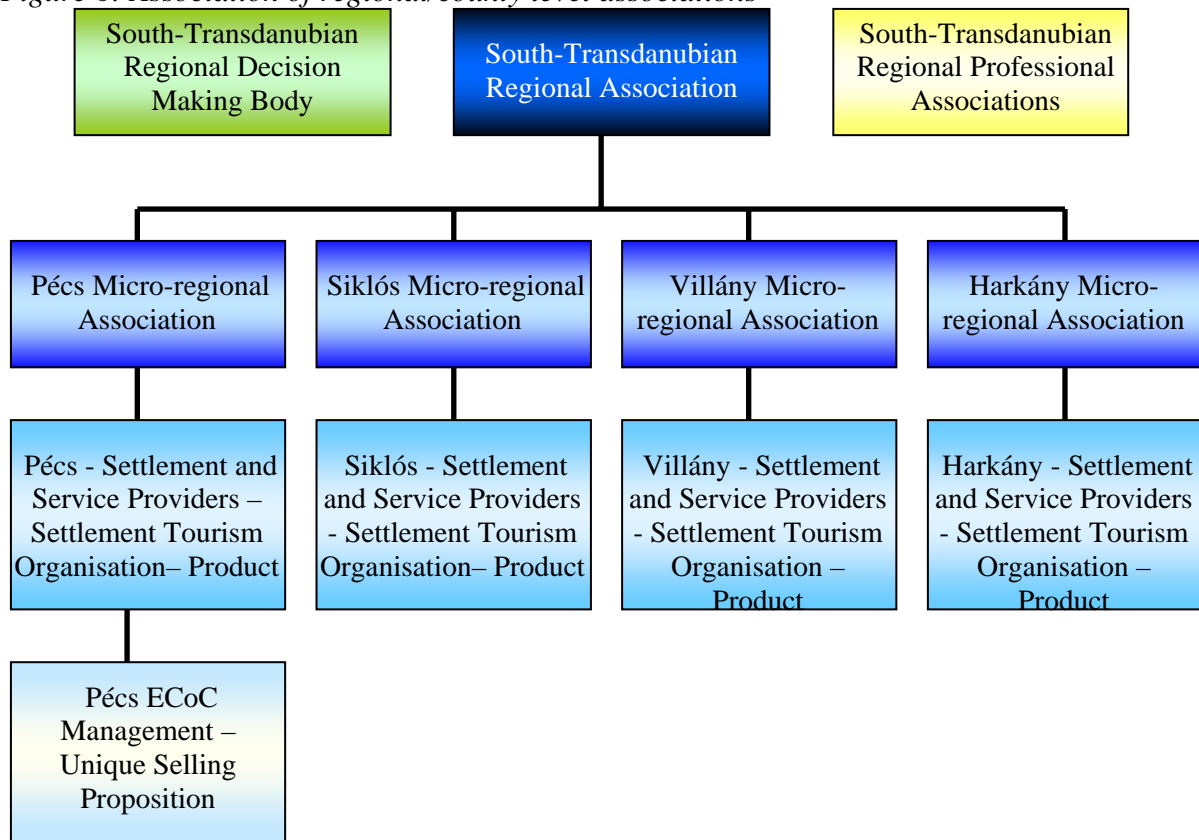
Source: Based on Balaton Partnership Programme. ([www.balatonregion.hu](http://www.balatonregion.hu))

The association of regional/county level associations (*Figure 6*) are basically nothing more than the association of all organisations operating in the region/county. The responsibilities of the association of organisations include the political representation of the interests of the tourism organisations both at local level and above, all forms of help and counselling, training and further training activities, informatics support and the development of tourism software. Perhaps the most crucial tasks are active participation in elaborating tourism concepts regarding the region as a whole and representing the tourism economic sector on regional and county tourism committees in cooperation with other economic and tourism partners.

This three-level “social” model provides, on the one hand, comprehensive, bottom-up representation of entrepreneurs in county-level tourism, whilst, on the other hand, it is an efficient communicator of tourism development from the region/county to the business sector. This model provides the region/county as a tourism destination with a firm social background, protecting entrepreneurial interests and involving settlement resources in formulating tourism within the region.

It is both advisable and practical to create the micro-/regional association office at the outset, since this can be the first step in establishing the DMO system before the actual organisations are established in the settlements, whilst the existing (efficient) Tourinform Offices could serve as the foundation of future micro-/regional association offices.

Figure 6: Association of regional/county level associations



Source: The author's own chart. Designed by Csilla Klára Molnár.

A fourth level is suggested by the author in the unique case of Pécs and the ECoC year. This extra layer of management is for a limited period only and would be assigned to exploiting the city's unique selling proposition in that year. It should, nevertheless, be subordinate to the city-level organisation, but with a great opportunity to support sustainable tourism and economic development in the city.

## Conclusions

There are a number of hurdles to be overcome if effective Tourism Destination Management is to be encouraged. These include relative inexperience in the sector on the part of those employed (a problem which will resolve itself with professional education and the passage of time), a general lack of experience in cooperation, a lack of resources and the view that only marketing is a worthwhile activity for partnership.

Nevertheless, the author hopes to have shown that tourism an effectively operating tourism DMO system is not only able to support the development of sustainable tourism (provided that the system is widely and rationally organised at the various relevant levels) but that it is absolutely essential. With the rapid development of communication methods and of professional, international networks, Hungary's relatively late appearance on the stage need not have a permanent negative effect. New ROP-related funding targeting the development of tourism DMOs will soon be offered by the National Development Agency, demonstrating government acceptance of the economic importance of the issue.

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