Destination network management: a conceptual analysis

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Abstract

Purpose – *This paper aims to focus on managing networks within destinations, or destination network management. The purpose is to provide a conceptual definition of the term.*

Design/methodology/approach – *Destinations are seen as networks, and networks are approached from a strategic perspective. Reviewing and drawing on the literature on destination management, tourism networks, strategic networks and strategic management the paper proposes a concept that could be of use in analyses of network management.*

Findings – *It is suggested that managing is a value-creating activity embedded within a network, and that there are two approaches to network management: strategic management and the coordination of cooperation among the actors involved.*

Research limitations/implications – *The paper is conceptual in nature. The authors intend to test the developed hypothesis in empirical case studies in the near future.*

Originality/value – *The paper contributes to the literature on destination management in proposing a novel concept of destination network management, and introducing a dynamic, activity-oriented approach as opposed to the actor-focused destination management organization (DMO) view.*

Keywords Cooperation, Coordination, Destination network management, Networks, Strategic management, Tourism management, Place marketing, Tourism

Paper type Conceptual paper

1. Introduction

Destination management is a debated issue among practitioners and tourism scholars alike. Consequently, it has become a key subject area in tourism studies during the past decade. The literature emphasizes its importance in terms of overall destination competitiveness (Bornhorst *et al.*, 2009; Scott *et al.*, 2008), and it is generally associated with the destination management organization (DMO), which covers marketing (Scott *et al.*, 2008), management (Ritchie and Crouch, 2003) or a mixture of both (Bornhorst *et al.*, 2009). In broader terms, the role of the DMO is to ensure the effective management of the destination (Bornhorst *et al.*, 2009) by focusing on coordination, planning, informing and promoting (Scott *et al.*, 2008), and thus to influence its overall success (Mazanec *et al.*, 2007; Ritchie and Crouch, 2003).

In all this literature, destination management is viewed as an intra-organizational phenomenon: it is the DMO that, as a separate entity in terms of its internal organizational functions, drives the destination. In this sense its managerial actions are broadly similar to those of any other management organization in other industries. The destination as a geographical region (Bornhorst *et al.*, 2009) has been regarded as an object of activities.

However, this atomistic view of the DMO as an isolated unit does not capture the essence of the phenomenon in a complex world characterized by inter-dependence among its various elements and of the relationships between and among them (McKercher, 1999). This line of thinking has inspired tourism researchers to describe a destination as a network of

relationships between business organizations engaged in producing product and service offerings (Fyall and Garrod, 2005) for tourist experiences (Otto and Ritchie, 1996). However, although scholars have acknowledged the significance of such networks in emphasizing the central (Beritelli *et al.*, 2007) and careful (Dredge, 2006) management of destinations, the relevance of overall management mechanisms (von Friedrichs Grängsjö and Gummesson, 2006), and the management of networks and inter-organizational relationships in pursuit of destination competitiveness (Bornhorst *et al.*, 2009, p. 17; Pavlovich, 2003, p. 215), they stop short of explicitly defining what managing a destination as a network means. Thus, what seems to be lacking is a proper definition. In order to remedy this we therefore focus here on the concept of managing networks within destinations, which we call destination network management.

The purpose of this study is to provide a conceptual definition of the term destination network management. In order to do this we first clarify the concept in the context of inter-organizational strategic networks by defining what managing such networks within destinations means. Our underlying assumption is that the type of management depends on the type of network (e.g. Möller *et al.*, 2005). Two key issues are discussed in detail:

1. the nature of the within-destination strategic tourism network; and

2. the management of the destination as such a network.

We argue that the concept of destination network management extends the prevailing view of destination management. We also suggest that there are two ways of managing destinations as strategic networks.

This paper builds primarily on the literature on destination management and tourism networks in tourism research, on strategic networks in the inter-organizational network approach, and on intra-organizational strategic management. In applying the literature on strategic networks to the context of destination management we offer a novel concept for analyzing within-destination network management.

2. Managing destinations as strategic networks

2.1 Destinations as inter-organizational strategic tourism networks

There is a growing tendency among tourism scholars to view destinations as networks (March and Wilkinson, 2009; Scott *et al.*, 2008; Dredge, 2006; Tinsley and Lynch, 2001), and there are thus diverse definitions of tourism networks. The concept of a network in a tourism destination has been defined, in accordance with network theory, as an inter-organizational web of loosely articulated groups of independent suppliers linked together and embodied in destinations (Scott *et al.*, 2008), and as a set of nodes and the interconnected relationships within the destination (Pavlovich, 2003).

We believe that the literature on strategic networks (Möller and Rajala, 2007; Parolini, 1999; Campbell and Wilson, 1996) offers a more relevant basis for studying the network organization due to its managerial orientation. Drawing on this literature we therefore define a network as an intentional strategic entity comprising a set of activities that are linked through business relationships, and that are carried out by more than two actors (companies or other organizations) using a variety of resources. An activity most commonly refers to a value-creating practice in the literature on strategic networks (Möller and Rajala, 2007; Parolini, 1999), the assumption being that the strategic network is a closed system (Möller and Rajala, 2007). However, given that interactions go beyond organizational boundaries (Von Krogh *et al.*, 2000), the boundaries of a strategic network are simultaneously closed and open. Consequently, the destination as a strategic network could be defined as an inter-organizational, goal-oriented network embedded in the destination, comprising value-creating activities that are linked to each other through tourism business relationships, and that require the resources of tourism companies or other organizations.

Given that there are several differences between these definitions, we believe that the best way forward is to view activities as the basic building blocks of the network, as in our definition, and not actors as proposed in the research on tourism networks.

2.2 Strategic management and the coordination of cooperation as linked management activities

There is ongoing discussion among strategic-network scholars about the manageability of networks (Heikkinen *et al.*, 2007; Möller *et al.*, 2005; Knight and Harland, 2005). Rather than limiting our discussion to this controversy we, in line with Knight and Harland (2005), address the basic question of what it means to manage a network.

The network as a value-creating activity pattern provides a fruitful starting point for our attempt to define the concept of destination network management. There are various classifications of value-creating activities:

- primary activities referring to the creation of products and services;

- support activities related to strategic management and coordination;

- exchange activities referring to buying and selling; and

- consumption activities (applied from Parolini, 1999; Campbell and Wilson, 1996).

This classification embodies two essential notions:

1. that managing is an inter-organizational activity that is linked to other network activities; and

2. that there are two approaches to network management, namely the coordination of cooperation and strategic management.

This leads to two initial propositions:

> *P1.* Managing a network is an activity embedded in the network.

> *P2.* Managing networks entails either the coordination of cooperation or a strategic approach, each carrying a specific meaning.

Knight and Harland (2005) and Möller *et al.* (2005) support the latter view in distinguishing coordination from management, which is a fuzzy concept but in our interpretation refers to strategic management. The literature on tourism networks supports this view in its use of the term ''management'' (Dredge, 2006; Beritelli *et al.*, 2007) or the term ''coordination'' (Go and Williams, 1993; Tinsley and Lynch, 2001; de Araujo and Bramwell, 2002; Dredge, 2006; von Friedrichs and Gummesson, 2006) in various contexts. However, it still lacks explicit clarification.

The concept of ''strategic management'' is elusive in the literature on strategic networks. Campbell and Wilson (1996) define management as a strategic activity, referring to the active management of the network and the development of a value-creating strategy. Knight and Harland (2005) describe network management as successful strategic intervention in networks achieved through generating inter-organizational co-operation. In this sense it is seen as intervening in order to shape networks (Knight and Harland, 2005). Möller *et al.* (2005), in turn, define managing in terms of control, referring to full control of another actor's resources and activities. This is in line with the IMP Group Network Approach, according to which management implies total dominance over other actors' resources (Håkansson and Ford, 2002). Möller *et al.* (2005), however, further suggest that it is a relative issue in that control varies depending on the type of network.

Although these conceptualizations push forward the definition of strategic network management, we would not wish to endorse any of them *per se*, and refer back to the definition of strategic tourism networks that emphasizes the business relationship. It is the relationships that serve as a context for interaction, and as the network is a configuration of relationships their management could be viewed as the management of interactions. Batt and Purchase (2004) and Heikkinen *et al.* (2007) also suggest that the managerial focal point

should be inter-organizational interaction. Furthermore, Von Krogh *et al.* (2000), discuss managing interactions and the crucial role of strategic management. According to this view, management is an intra-organizational phenomenon, and we argue that the idea is also applicable to strategic networks (for further discussion, see Meriläinen and Halinen, 2009). In line with Möller *et al.* (2005) and Håkansson and Ford (2002), Von Krogh *et al.* (2000) state that interactions are ultimately uncontrollable. However, unlike scholars writing on inter-organizational networks, who support the notion of uncontrollable interactions and argue that they are also unmanageable on the network level, he adopts a different ontological foundation and suggests that interactions are strategically manageable. We share this view. Von Krogh *et al.* (2000, p. 4) further suggest that managing is about supporting interactions, which means enabling them, referring to ''the overall set of organizational activities that positively affect'' them. Thus, the strategic management of networks could be defined as the active enabling of interactions occurring in inter-organizational relationships embedded in networks, regardless of intentionality, which is incorporated into the value-creating network strategy that is manifested on the level of the whole network.

Given that the literature on strategic networks gives only slight hints for defining network coordination, we turn to the discussion in intra-organizational and tourism-network research, taking the concept of coordination, in part, as a reference point. In theoretical terms, increasing coordination and control is a way of dealing with uncertainty stemming from interdependence in organizations (Pfeffer and Salancik, 1978; Lehtimäki, 1996), which has fostered the view that both cooperation and coordination are needed for the best results (Petit, 1975). Quinn and Dutton (2005) define coordination as the process of arranging activities, the process people use to create, adapt and re-create organizations. The tourism product or service offering is a combination of outputs from many service providers (multiple supplier activities), which demands coordination among the actors. In the context of this study the coordination is not internal, but rather involves actors from different organizations and is thus defined as a process of arranging activities and connecting actor resources in tourism business networks.

Within tourism research, Tremblay (1998) suggests that tourism enterprises coordinate their activities through a web of cooperative and competitive linkages fashioned by the capabilities they possess. Local destination networks play a crucial role in balancing the interests of various stakeholders, given the crucial role in tourism of information flows comprising a complex network of business organizations engaged in providing entertainment, accommodation, food, transportation, communication and other products to tourists (Fyall and Garrod, 2005). The network approach facilitates the study of local destination actors and their roles in balancing the interests of various members and coordinating their activities. Schianetz *et al.* (2007) define cooperation as informal collaboration, whereas coordination denotes formal inter-organizational relations (e.g. networks and partnerships). Lemmetyinen (2010) combines the definitions of ''coordination'' and ''cooperation'' in the context of tourism business networks. Likewise, we define ''the coordination of cooperation'' as the process of arranging inter-organizational, formal and informal activities and connecting actor resources in a way that balances the divergent concerns of network actors.

2.3 A definition of destination network management

Thus far we have defined the concept of destination network management in terms of strategic management and the coordination of cooperation, inherent in both of which is the same notion of inter-organizational action. However, whereas the coordination of cooperation takes place between network actors, strategic management is about enabling that interaction. Furthermore, the coordination of cooperation seems to focus on the actor whereas strategic management approaches the action from the perspective of the whole network. Therefore, from the actor's viewpoint a strategy implying common goals might not comply with his or her own concerns and thus strategic management may go against the individual actor's interests: the coordination of cooperation, on the other hand, is a balancing act from the actor's perspective. Finally, whereas concerns related to the

coordination of cooperation are divergent, they are convergent with regard to a common strategy, at least initially. Interestingly, the definition of coordinated cooperation resembles what Heikkinen *et al.* (2007) call managing in networks, referring to managing interactions with others or, in other words, the management of relationships. The definition of strategic management, in turn, implies managing others or managing the network, which they claim is unmanageable. However, as noted, there are differences in the underlying conceptualizations. Therefore, we posit that the coordination of cooperation is about managing with other network actors through relationships, and thus managing in networks, whereas strategic management is about managing other actors but still through relationships, and thus it is about managing networks.

In sum, destination network management could be defined as the inter-organizational actions of enabling inter-organizational relationships towards shared goals, implying strategic management, and balancing the actors' concerns, implying the coordination of cooperation.

3. Discussion

We started by referring to the need for an extended concept for describing the management of destinations as networks. Taking the interrelatedness between the management type and the network type as a starting point, we defined a destination in terms of an inter-organizational strategic tourism network, emphasizing the value-creating activities as the network element, the links resulting in an activity pattern. We followed this reasoning in defining the concept of destination network management. Our literature-based definition therefore identifies such management as an activity embedded within a network in which the focus is on strategic management or the coordination of cooperation.

This novel concept of destination network management contributes to the literature on destination management in tourism research. The prevailing view emphasizes the role of the DMO and its functions in managing the destination as an atomistic unit within a tourism system. This is definitely inadequate in terms of analyzing destinations as configurations of multiple actors and their relationships, according to which managing constitutes interaction between organizations. Thus, managing a destination could be seen as strategic management practiced by the DMO in terms of linking network actors to other business actors through interaction, and as the coordination of cooperation in terms of facilitating interaction between other network members. We believe that the concept serves as a more relevant tool for analyzing such destinations, and thus for capturing the essence of the phenomenon. In proposing it we also provide an alternative view of destination management. Whereas the prevailing literature takes a structural approach, assuming managerial action is a DMO function, we believe that the notion of management as an activity gives a more dynamic picture.

The concept proposed in this paper is tentative, and will be empirically tested and developed further in tourism destinations in the near future. Even in its preliminary form, however, it could stimulate practitioners in their thinking. In terms of network management, knowledge of what it means to manage a network could influence the managerial mindset and lead to further practical actions. In particular, it could enhance understanding of the strategic need for management to directly influence the value-creation potential of the network, and thus its competitiveness. Finally, it gives some idea of the potential consequences of adopting different styles of network management.

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