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# Destination management level evaluation with an emphasis on the internationalisation factor

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**Abstract:** The paper deals with main research problem connecting with the assessment of the quality of the tourism business environment at different levels. The aim of this paper is to identify the key indicators of the business environment of tourism. Based on identified indicators evaluation of specific destination management in the medium term is set. The benchmarking method then determines the position of regional destination management within the chosen economy. In the Czech Republic, the level of destination managers in the range of the two evaluated three-year periods of 2013-2015 and 2016-2018 improved. An influx of tourists, the use of higher-class accommodation capacities, and the increasing number of tourist destinations were drivers of these improvements at the sub-national level, taking into account the internationalisation factor of incoming tourism. On average, the number of domestic visitors in research area increased by 38% overtime, and this trend was even more pronounced from a foreign perspective at 42%. Main contribution of this paper is methodology of the designed destination management evaluation methodology applicable at the national as well as regional level. Constructed indicator takes into account the number of foreign and domestic tourists separately and brings results and trends of internationalization in evaluated areas.

**JEL Classifications:** F29, F23, Z32, Z33, M39, R58

**Keywords:** Benchmarking, business environment, destination management, internationalisation, locality potential

**Citation:** Kotíková, S., Pavlů, K. (2019). Destination management level evaluation with an emphasis on the internationalisation factor. *Business and Economic Horizons*, 15(3), 357-374.  
<http://dx.doi.org/10.15208/beh.2019.21>

## 1. Introduction

This article deals with the evaluation of key aspects affecting the business environment in which tourism businesses operate. A large number of businesses in this area are small and medium-sized enterprises (SMEs) that are highly sensitive to their surroundings. From a global perspective, the forces of globalisation, internationalisation, and other global trends also exert great influence on this environment. Enterprise location both at the national and regional levels is of great interest when exploring the tourism business environment (Ivanová, 2017). Similarly, state policies and legislative frameworks influence these types of businesses. According to many authors, the factors mentioned above can be divided into three areas - the macro-environment, the micro-environment, and the company's internal environment. Other authors tend to think that these divisions are not accurate. For example, Neumanová (2014) argues that these factors are inadequate for SMEs because they are in daily contact with spatial reality and instead identify so-called inter-factors such as transport infrastructure and the emergence of pilot enterprises.

Furthermore, specific, unique features of the tourism sector influence the environment in which tourism businesses operate. These specifics primarily include the separation of demand and supply in time. Moreover, the supply side of services is perceived by the demand side very subjectively. As mentioned above, there are many SMEs in this area that play crucial roles in the bidding process, and thereby significantly influence consumer behaviour, the functionality of the whole system, and tourism performance. However, as in other economic areas, there are some natural barriers, namely current legislation, which lacks a field of tourism law. Assessing the quality of the business environment (generally or in selected fields) is problematic due to the regional level. Primarily this means it is necessary to deal with the absence or divergence of reporting certain data and data files at the sub-national levels of NUTS 3 and lower (Viturka et al., 2014).

The basic research question is this: How can we measure and evaluate the quality of the tourism business environment at the sub-national level? Therefore the aim of this paper is to identify the key factors that influence the business environment and to subsequently evaluate and compare specific destination management in the medium term based on the identified data. We will compare two regions with different geographical position - the South Bohemian and Liberec Regions. The benchmarking method will determine their positions within the Czech Republic as a whole.

The output, that is, added value, is the construction of the destination management quality level indicator taking into account both qualitative and quantitative levels. This indicator expresses the value of the potential of the tourist area and takes into account five components: the value of the potential per square kilometre of the tourist area, the number of certified facilities, the attendance at tourist destinations, the use of accommodation facilities, and additions for spa and recreational stays.

The methodological approach we have developed fills the existing gap in the current research of business environment assessment at the sub-regional level in the services field. In contrast to previous evaluations of business environments such as Luo Webin (2018) and Djeri, Stamenković, Blešić, Milićević, & Ivkov (2018), the methodology we are introducing emphasises internationalisation factors which, as the results show, have not received appropriate attention for their roles in destination management and the qualitative development of the business environment.

The following part of this paper has presented a literature review with an emphasis on internationalisation factors. Detailed methodological procedures and the construction of destination management evaluation indicators have been the subjects of Section 3. Section 4 has visualised and compared the results of the survey have conducted in the selected regions and, using the benchmarking method, has shown the strengths and weaknesses of the regions, including the effects of individual components and trends on changes to and improvements in the quality of the tourism business environment. Finally, the conclusion has presented the limits and obstacles of the methodology used to evaluate the quality and level of destination management in the given regional business environments along with the scientific approaches of other authors.

## 2. Literature review

The outside world influences entrepreneurship as a basic unit of the national economy, that is, business environments and social, economic, and technical systems affect individual businesses. Different authors define the business environment from different

perspectives (Malach, 2005; Strážovská et al., 2007; Korcsmáros & Šimový, 2018). Malach (2005) understands the business environment as the sum of all the influences and factors that influence the business activities of particular businesses, simplifying and acting proactively on those business (e.g. taxation, unambiguous law). Others (Strážovská, 2007; Korcsmáros & Šimový 2018) see environmental factors as complicating or reducing business activities (e.g. ego, corruption, bureaucracy).

To Korcsmáros & Šimový (2018), the business environment is everything that makes up a society, that is, all the economic, political, institutional, legal, technological, ethical, and cultural conditions in which business is carried out and business processes are managed. The business environment in the definition of Strážovská et al. (2007) is the environment surrounding business and affecting business activities (Strážovská et. al., 2007).

When processing the business environment diagnostics of any field, it is important to consider individual trends on a worldwide scale. The global business environment is characterised by internationalisation, intellectualisation, acceleration, flexibility, humanisation, intensification, and greening. SMEs face strong competition, but at the same time they have many new growth opportunities (Ivanová, 2017). According to Buna et al. (2015), the quality of the business environment creates the basic conditions for the growth of SMEs. It is, therefore, necessary to take into account qualitative factors when elaborating business environment diagnostics, as the better the business environment of a given field, the higher the potential for the development of both existing business entities and new entities, all other things being equal. The gradual improvement of the business environment is, therefore, best way to support SMEs and motivate the foundation of new businesses.

The state (economic policy and economic and social aspects) strongly influences business relationships and the business environment at the local and national levels. Klvačová (2008) summarises the functions of the state in developing the business environment as follows:

- **Regulation and stabilisation function.** The most important roles of the state are to create stable conditions for the implementation of business activities and, in the long term, to ensure the existence and enforcement of the law, ensure currency stability, maintain economic equilibrium, and absorb the potential impacts of the external environment. These roles are seen in the implementation of positive externalities as well as facing and successfully tackling unpleasant factors from the outside. Other external conditions also play important roles in the success of tourism businesses: the war in the former Yugoslavia; the terrorist attacks of September 11, 2001, and other terrorist attacks (e.g. Madrid, London); the SARS epidemic (2003) and other contagious disease outbreaks; and the Arab Spring and subsequent political instability in North Africa and the Middle East beginning in 2011 all had major impacts on the tourism sector.
- **Redistribution function.** The state is also expected to mitigate the social consequences of unsustainable processes, depending on market functions and market mechanisms; these resources include taxes, customs, and fees, for example for spas and recreation.
- **Allocation function.** This state function describes the need for the state to correct market failures on the supply and distribution side of public goods in order to

properly manage taxpayers' money. These tourism measures may include the adaptation of travel contracts.

The tourism business environment is mainly composed of SMEs, which significantly determine the extent to which the offerings of a destination are competitive and which are the main creators of tourism offerings as well as the driving force of the development of tourism in the destination. SMEs are behind most of the economic activities associated with tourism. With the activities of SMEs in tourism, there are a number of specific features and problems based on the nature of supply and demand in tourism, such as the separation of demand and supply over time and the supply side of services that are subjectively perceived. SMEs play a vital role in the bidding process, significantly influencing consumer behaviour, the functionality of the whole system, and the performance of tourism. However, as in other economic areas, there are some natural barriers, such as current legislation that lacks a tourism law field, which can the public sector help address and minimise. These barriers have become a defense for public sector interventions in tourism (Řepík, 2017).

## 2.1 Business environment structure

The structure of a business environment can be explored and analysed at three levels:

- a. **Macro-environment.** This refers to a summary of external factors whose influence from the point of view of economic subjects is considerably questionable (e.g. lobbying). The basic component of the macro-environment is the economic environment, which consists of purchasing power and expenditure structures. In terms of the subsequent evaluation of the tourism business environment, these factors influence the level and development of accommodation capacities and the amount of fees collected. Another element of the macro-environment is the legal (political) environment, as policy decisions affect all components of the business environment as well as the information technology environment, which overcomes time and space constraints and forms a bridge between businesses and the outside environment. From the point of view of tourism, it is possible to observe the extreme influence of the development of information technologies and reservation systems both on the supply side and on the demand side. Tourism business operators are increasingly taking advantage of new possibilities offered by reservation systems and communication channels with tourists. On the other hand, tourists are increasingly using new technologies at different stages of their visit to a tourism destination (Law et al., 2014).

Another part of the macro-environment is the demographic environment. The demographic environment includes elements as population movements, population age structures, social structures, and the ecological environment. These factors often present different barriers to businesses, such as current legislation systems, bureaucracy, the state of communication and tourist infrastructures, fears of neighbours, intolerance, loss privacy, unfamiliarity, and inexperience (Ryglová, 2007). As a part of the macroeconomic environment, the sociocultural environment encompasses all elements of a society's cultural environment and the necessary social environment when analysing the impact of business activity on society (Šikula, 2006).

- b. **Micro-environment.** This refers to a group of businesses and individuals that are directly connected to company connections and that directly affect the business of

said company. These are suppliers and customers who are an essential part of the company's micro-environment. Micro-environment also includes competitors and potential intermediaries whose main goals are to connect customers to companies, such as Booking.com or Airbnb (Belas et al., 2015).

Although the tourism sector has a highly above-average number of SMEs, other entities such as non-profit organisations, municipal associations, civic associations, public sector institutions also influence the micro-environment. Regardless, the visitor perceives the destination as a whole, which is why the tourism product is defined as a complex network of services and destination environments (landscape, public spaces, etc.). Thus, the structure and quality of the individual elements of the offering do not necessarily mean success in the destination's positioning on the tourism market. These are only basic conditions; increasing the competitiveness of destinations requires creating and strengthening functional networks that can remove objective barriers in the industry (Kasim & Dzakiria, 2016).

- c. **Internal environment.** This refers to, for example, the marketing, production, and innovation activities of a given company and the ability of that company to respond to external changes. In most SMEs an owner of a company carries out these functions, while larger businesses are able to delegate them. In order to have an efficient business and a high-quality internal environment, it is important to coordinate all the company's activities (Westman et al., 2018; Seo et al., 2019).

For tourism, human resources are very important from the internal point of view since they are an important factor in determining the competitiveness of the destination and its supply. Human capital, knowledge, and the experience of tourism workers are directly reflected in the effectiveness of managing SMEs and the destination as a whole. Education and the associated quality of human potential are crucial in tourism. In this context, Baum, Amoah, & Spivack (1997) state that the human factor is one of the key points in tourism offerings. This fact is mainly due to the ever-increasing global competition, the globalisation of products, and increasingly demanding and sophisticated consumer expectations. For example, Lam & Xiao (2000) generally regard education and the quality of human capital as major factors in tourism development. Bagur et al. (2019) add that, despite the fact that the tourism sector produces a large number of jobs, its development is significantly dependent on and limited by the lack of adequately educated employees, which is also a major determinant affecting the positive economic benefits of tourism in the regions.

Not all businesses are deeply concerned with the above factors, and it is well known that macro factors are of particular interest to larger companies and investment companies, while smaller businesses have only an occasional interest in factors that directly affect their activities. Company integrity and identity, or "maturity", are characterised by micro factors and are the subject of much attention by large enterprises (Belas et al., 2015), while small businesses pay less or occasional attention to these factors due to their financial and organisational capabilities.

Neumannová (2014) defines "inter-factors", which are relevant for SMEs because they represent real everyday contact with spatial reality. The inter-factors are classified as follows:

- Natural environmental factors that influence entrepreneur interaction, such as a business's interaction with its natural environment (such as square kilometre of the tourist area);
- Technical and transport infrastructure, focusing on the status of technical and support facilities for business activities (such as square kilometre of the tourist area);
- A general and economic culture that consists of education, cultural maturity, and a positive attitude of citizens towards work and entrepreneurship (such as tourist objects);
- Economic and commercial infrastructure, such as developed banking services, consulting services, hospitality services, and other facilities (such as accommodation capacities; number of certified facilities per square kilometre; spa or recreation fees)
- Pilot companies, or enterprises that support other business entities, which influence the business environment through their activities (number of certified facilities per square kilometre).

Another phenomenon that affects the business environment is the impact of internationalisation. We can describe internationalisation in two dimensions - an in-house dimension (where the corporate environment needs to be internationalised, especially products, human resources, and business management) and an outward-looking dimension (a competitive environment in international markets is integrated into the company's awareness). In addition to the above-mentioned research, there are approaches that monitor the level of internationalisation; the level of internationalisation development in the business environment; or the level of internationalisation, regionalisation, and the impact of internationalisation on regional development. This assessment draws on microeconomic evaluation principles, where the quantification degree of internationalisation and the determination of relevant internationalisation ratios are converted to the macroeconomic level (Dörrenbächer, 2000). The evaluation then consists of constructing ratio indicators monitoring foreign elements' shares in the total volume of the relevant variable, making it possible to interpret the effect of internationalisation on the performance of the business environment as well as to comprehensively evaluate its structure and the attitude of the environment to foreign capital holders (Sullivan, 1993; Hilmeresson & Martin, 2015).

### 3. Destination management evaluation methodology

We used and modified the above-mentioned concept of evaluating the business environment by using the internationalisation element for the purpose of evaluating and comparing specific methods of destination management in the field of tourism in the medium term. We conducted this evaluation over the past three years. The result is a constructed target management level indicator ( $Q_{DM_n}$ ).

This indicator expresses a tourist area's potential value the value of a tourist area's potential. Based on available data, we tracked pointer increment values for better trend visualisation. That is, values can be positive, zero, or negative. Negative values are due to the negative effects of the macroeconomic environment, such as natural influences, political instability, immigration problems, and military conflicts. The quantitative indicator takes into account five components, listed below.

- a. The potential value per square kilometre of the tourist area ( $VP_{km^2}$ ):

$$PV_{km^2_n} = \left( \frac{Area}{100} + \frac{Population}{10.000} \right) * 0.5 + \left( \frac{Charges}{100.000} \right) * 0.5, \quad (1)$$

where *Area* is the area of the tourist destination in square kilometres in year *n*, *Population* is the number of inhabitants of the tourist area, and *Charges* is the selected spa or recreation fees for year *n*.

To determine year-on-year component increments in percent ( $\Delta HP_{km^2_n}$ ):

$$\Delta PV_{km^2_n} = \frac{VP_{km^2_n} - VP_{km^2_{n-1}}}{VP_{km^2_{n-1}}} * 100 \quad (2)$$

- b. Number of certified facilities per square kilometre ( $CU_{km^2_n}$ ):

$$CU_{km^2_n} = \frac{Certified\ units}{Area}, \quad (3)$$

where *Certified units* include the total number of all facilities in a Tourist Area that have received a certificate from the National Quality Service of First or Second Level (Czech Quality of Service in the Czech Republic) in year *n*.

In terms of year-on-year increases, the equation has the following form:

$$\Delta CU_{km^2_n} = \frac{CU_{km^2_n} - CU_{km^2_{n-1}}}{CU_{km^2_{n-1}}} * 100 \quad (4)$$

- c. Visit rate of tourist objects ( $VR_n$ ):

$$VR_n = \frac{T_{dom} + T_{foreign}}{Number\ of\ tourist\ objects}, \quad (5)$$

where  $T_{dom}$  is the number of domestic tourists who visited a given tourist destination in year *n*,  $T_{foreign}$  is the number of foreign tourists who visited a given tourist destination, and *Number of tourist objects* is all the tourist destinations located in the monitored tourism area. Specifically, these tourist objects are monuments belonging to the Czech Heritage Office, which are statistically monitored by the National



Information and Consulting Centre for Culture.  $VR_n$  represents the average number of tourists per tourist object in the tourism destination. This is an average methodological value, as national statistics do not take into account overnight visitors. Therefore, only overnight residents of tourist destinations are taken into account in the calculations. It can, therefore, be assumed that they will visit several tourist destinations as part of their stay.

This equation consists of the sum of foreign and domestic visitors so that the results can be interpreted in a broader context. More complex conclusions can be drawn from the point of view of the internationalisation of regional tourism. In terms of year-on-year increments, this component takes the following form:

$$\Delta VR_n = \frac{VR_n - VR_{n-1}}{VR_n} * 100 \quad (6)$$

- d. Use of accommodation capacities. Measured by the number of overnight stays/number of tourist area beds in year  $n$ . This data is monitored by various national statistical institutes; In the case of the Czech Republic, the Czech Statistical Office (CZSO).

$$A_n = \frac{Overnights_n}{Beds_n}, \quad (7)$$

$Overnights_n$  is the total number of overnight stays by tourists arriving in a tourist area in year  $n$ .  $Beds_n$  is the total number of beds in the following accommodation facilities: hotels and guest houses of all classifications in year  $n$ .

In terms of year-on-year increments, this equation takes the following form:

$$\Delta A_n = \frac{A_n - A_{n-1}}{A_{n-1}} * 100 \quad (8)$$

Using the Tourism Internationalisation Index (Kotíková & Pavlů 2018), it is possible to estimate the proportion of overnight stays made by domestic visitors and the proportion made by foreign tourists (9):

$$U_n * I_{CR_n} \quad (9)$$

$I_{T_n}$  expresses the internationalisation index of tourism in year  $n$ , and the respective tourist destination is expressed by the ratio of foreign tourists ( $T_{foreign}$ ) as part of the total number of incoming tourists ( $T_{TO}$ ) to a given tourist destination in year  $n$  (10):

$$I_{T_n} = \frac{T_{foreign}}{T_{TO}} \quad (10)$$

Increases in spa or recreation fees ( $\Delta C_n$ ) are determined using the following equation:

$$\Delta C_n = \frac{C_n - C_{n-1}}{C_{n-1}} * 100 \quad (11)$$

- e. From a methodological point of view, the percentage increase in fees is monitored ( $\Delta C_n$ ).  $C_n$  expresses the fees for a spa or recreational stay selected in a given tourist destination for a given year  $n$ .  $C_{n-1}$  expresses the fees for a spa or recreational stay in a given tourist destination for the previous year  $n$ . These data are monitored by various national statistical institutes; in the case of the Czech Republic, the CZSO (2019). An average fee of CZK 15 was calculated for the Czech Republic and the South Bohemian Region, and CZK 10 for the Liberec Region.

The data are structured by year in a three-year timeline that precedes the year for which an indicator is calculated. The final form of the quantitative indicator ( $QT_n$ ) is as follows (12):

$$Q_{DM_n} = \sum_{n-1}^{n-3} \Delta PV_{km^2} + \Delta CU_{km^2} + \Delta VR + \Delta A + \Delta C \quad (12)$$

The constructed quantitative indicator takes into account the economic and performance indicators of tourist areas as well as qualitative aspects. Efficiency measurements account for the number of overnight stays, the amount of fees collected, and the attendance at tourist destinations, factors that are economic and performance indicators of the tourist area. The number of certified units represents a service quality indicator.

The higher the resulting values, the better and more efficient the destination management of the monitored area. Benchmarking can assess whether destination management is below average, average, or above average in the performance and quality of its activities. The benchmark is the average value in a given category in the monitored territories, that is, the average value for the national economy.

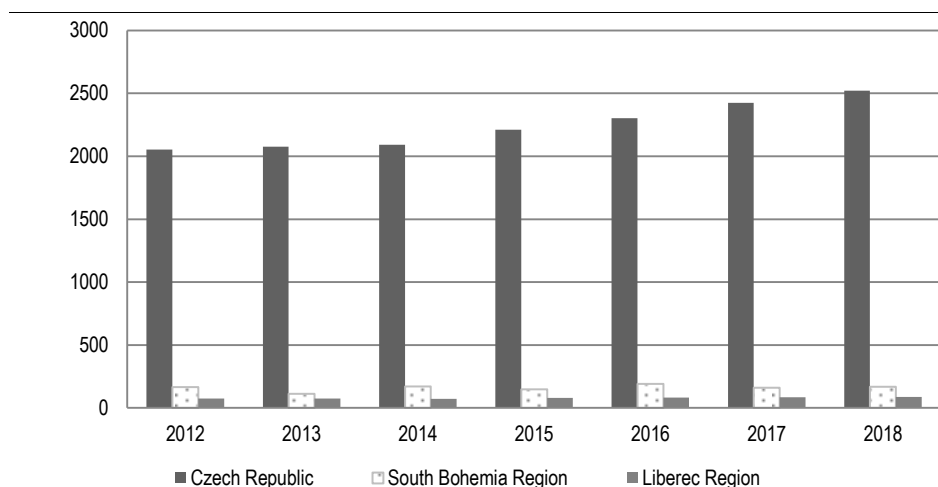
#### 4. Evaluating the position of selected destination management in the Czech Republic

After arriving at the methodology for evaluating destination management described above, we applied it to the Czech Republic. We evaluated two regions - one in the north of the country and one in the south. The South Bohemian Region is one of the most visited regions of the Czech Republic, unlike the Liberec Region, which is among the regions with the lowest attendance rates.

Our survey revealed the reasons for this situation. The Liberec Region occupies 4% of the area of the Czech Republic (3,163 km<sup>2</sup>) and has roughly the same share of the population. The South Bohemian Region occupies 12% of the area (10,057 km<sup>2</sup>), making it one of the largest regions in the country, but it has a comparatively low population density, accounting for only 6% of the population. It is, therefore, clear that the larger the area and population a region has, the higher the tourist area's potential. Since it stands to reason that regions with larger areas have a greater number of tourist attractions, a greater proportion of the population working in services, and so on. In order for smaller regions - in terms of both population and area - to remain competitive in comparison to significantly larger regions or with regions with high population densities, the indicator (1) gives these combined factors half the weight. The factor that accounts for the other half of the potential of a tourist area is the selected fees in this area. In the South Bohemian Region, the overall value of the tourist area's potential contributes to roughly the same extent during the reporting period (with a 2% oscillation of around 50%). The situation in the Liberec region is similar, but here the factor of selected fees compensates for the region's size of about 5%.

Figure 1 shows that both regions have a relatively low potential per square kilometre compared to the average for the Czech Republic as a whole. The reason for this is not the peripheral position of the regions, but the specific characteristics of incoming foreign tourism. For example, 40% of foreign tourists visiting the Czech Republic only go to Prague.

FIGURE 1. VALUE OF TOURIST AREA POTENTIAL PER SQUARE KILOMETER



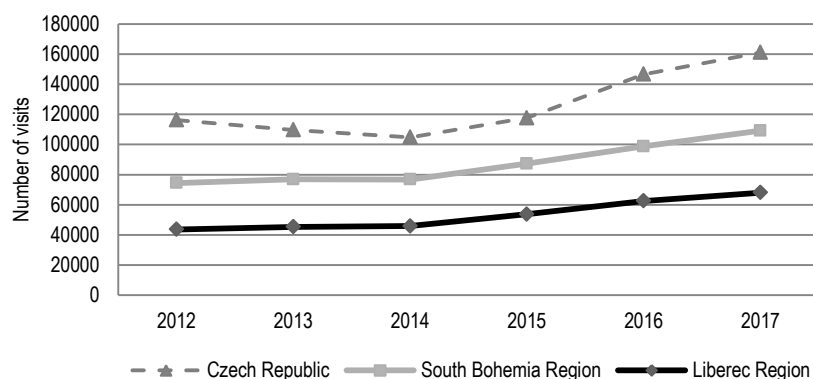
Source: own calculation based on Czech Statistical Office (2019).

Figure 1 shows that the potential of the Czech Republic has increased over the years. This is due to the fact that only the sum of the collected fees contributed to the negative trend of population growth (the population decreased by 1.26% in the given period).

Figure 2 visualises the development of the average number of visits per tourist object in a given destination. It is clear from this development that this number has risen over time and that increasing numbers of visitors drive this growth. On average, the number of

domestic visitors in the Czech Republic increased by 38% over the period under review, and this trend was even more pronounced from a foreign perspective, where visits increased by 42%. Both of the regions we examined reflect this trend as well. In the Liberec Region, the number of domestic tourists increased by 35%, and in the South Bohemian Region by 40%. In terms of foreign visitors, the South Bohemian Region recorded the highest increase of 91%, whilst the Liberec Region recorded only a 22% rise. Thus we conclude from this analysis that the Liberec Region is able to attract sufficient domestic tourists it shows low competitiveness in terms of foreign tourism. The reason for this is the absence of UNESCO sites and the lack of uniform promotion of the region abroad. However, the number of tourist objects entered in this component as the denominator value is not a static quantity, and the numbers of these targets also change over time due to changes in ownership rights over time. For example, if a tourist destination is sold or transferred to another entity that is not subject to national statistics, these entities cannot be properly included in the methodology.

FIGURE 2. DEVELOPMENT OF THE AVERAGE NUMBER OF VISITS PER TOURIST OBJECT IN A GIVEN DESTINATION



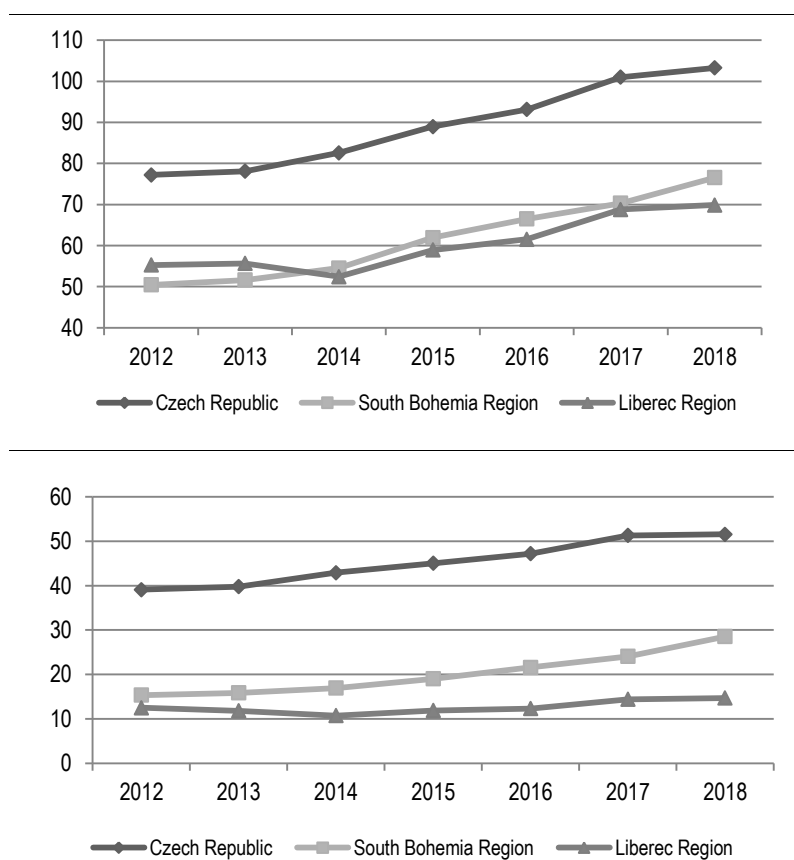
Source: National heritage office (2019).

The utilisation of accommodation capacities, as measured by the number of overnight stays per number of beds in a tourist area, clearly showed a change in the status of regions when beds were occupied at the beginning of the monitored period in the Liberec Region (55 overnight stays per year) compared to South Bohemia (50 overnight stays per year) as shown in Figure 3.

The second part of Figure 3 shows a positive trend in the use of accommodation capacities. However, this growing trend is driven not only by increases in overnight stays but also by reductions in the number of beds. In the monitored period, the number of beds decreased by 4,377 in the Liberec Region, by 5,693 in the South Bohemian Region, and by 22,798 in the Czech Republic overall. According to geographic distribution, this is a 4% decrease in beds in the country, but a 10% reduction in the South Bohemian Region, which saw the greatest decrease. The Liberec Region saw a 9% drop during the same period. This trend is mainly due to political factors, namely the introduction of Electronic

Records of Sales and Control Reports and other changes in the legislative conditions for business activities in the hospitality and accommodation sector. Another factor affecting the reduction in the number of beds is the growing popularity of other accommodation facilities, especially Airbnb.

FIGURE 3. USE OF ACCOMMODATION CAPACITIES AND USE OF ACCOMMODATION CAPACITIES BY FOREIGN VISIT



Source: own calculation base on Czech Statistical Office (2019).

Table 1 breaks the down the results in year-on-year increments, which reveals interesting fluctuations in both monitored regions. While the South Bohemian Region is following the nationwide trend of positive growth in the use of accommodation capacities, the Liberec Region has been experiencing dramatic fluctuations, with the year-on-year increase of 12% in 2014-2015 offset by a decrease in the utilisation of accommodation beds at the beginning of the period. A similar change occurred subsequently, though the 4% year-on-year growth was offset again by a 12% increase in 2017, so that the accommodation services kept up with the South Bohemian Region, which showed only a 2% higher occupancy rate of accommodation capacity. The last year under review shows a 6.7% lower use of beds in the Liberec Region as compared to the South Bohemian Region.

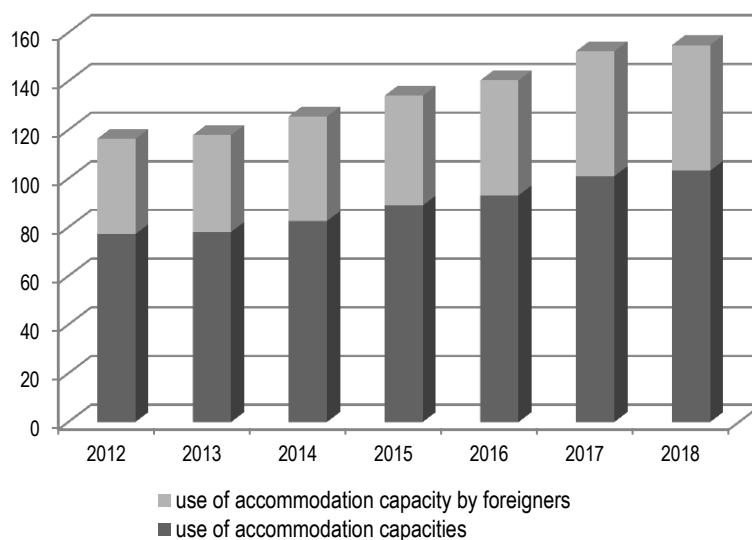
TABLE 1. DEVELOPMENT OF YEAR-ON-YEAR UTILISATION OF ACCOMMODATION

| PERIOD    | CZECH REPUBLIC | SOUTH BOHEMIA | LIBEREC  |
|-----------|----------------|---------------|----------|
| 2012–2013 | 1.129648       | 2.344979      | 0.691664 |
| 2013–2014 | 5.767787       | 5.640091      | -5.79638 |
| 2014–2015 | 7.720675       | 13.5538       | 12.40446 |
| 2015–2016 | 4.685331       | 7.364752      | 4.435013 |
| 2016–2017 | 8.453703       | 5.734627      | 11.77453 |
| 2017–2018 | 2.213008       | 8.894697      | 1.591912 |

Source: Own calculation based on Czech Statistical Office (2019).

When we apply the internationalisation index to accommodation capacities, it is clear that Czech tourists are the primary users of the accommodation in question; on the other hand, the share of foreign tourists is relatively constant, as shown in Figure 5 for all evaluated areas.

FIGURE 4. SHARE OF UTILISATION OF ACCOMMODATION CAPACITIES  
 BY FOREIGNERS IN THE CZECH REPUBLIC



Source: Own processing based on Czech Statistical Office (2019).

Our analysis of selected fees in the evaluated areas resulted in very interesting findings. In terms of this variable, the South Bohemian Region underwent a turbulent development, where a deep decline in the first year of our examination was offset by a significant increase in fees in the following year (see Table 2).

TABLE 2. DEVELOPMENT OF SPA OR RECREATION FEES INCREASE

| PERIOD    | CZECH REPUBLIC | SOUTH BOHEMIA | LIBEREC      |
|-----------|----------------|---------------|--------------|
| 2012–2013 | 2.045550986    | -63.6747838   | -0.159165548 |
| 2013–2014 | 1.164387531    | 192.3419837   | -6.986284627 |
| 2014–2015 | 10.3192799     | -23.93086665  | 17.233312    |
| 2015–2016 | 6.93960356     | 61.73620178   | 5.204422017  |
| 2016–2017 | 8.764592332    | -28.03941286  | 8.34329257   |
| 2017–2018 | 6.232770171    | 10.57682088   | 6.589273231  |

Source: Own calculation.

We attribute this fluctuation, on the one hand, to a significant reduction in the number of available bed and, at the same time, to qualitative factors, namely the worldwide recognition of UNESCO sites and the quality promotion of the region with a significant foreign reach. Even the Liberec Region managed to reverse the slump it experienced at the beginning of the period under review with a significant increase in revenues from selected fees in 2014, whilst year-on-year increases followed the national average without significant anomalies.

## 5. Discussion

Most competitiveness studies emphasise simple economic variables, replacing destination management performance assessments with simple economic indicators in marketing-oriented development models. These indicators, such as income, foreign exchange earnings, incoming international arrivals, domestic tourism incomes, and the number of domestic stays, are often used to assess destination performance (Luo, 2018; Djeri et al., 2018; Ydirim, 2006; Kozak, 2002). We based the indicator presented in this article on theoretical knowledge and the various factors that influence the development of tourism businesses.

The added value of the methodological approach offered here lies in the clear visualisation of the strengths and weaknesses of destination management and the tourist area according to the points achieved. The higher the early scores in each component, the higher the overall destination management performance. At the same time, a given tourist area has a stronger position within the Czech Republic implemented in the given economy. The presented indicator comprehensively and in detail visualises the order of the monitored areas in terms of the success and effective functioning of destination management.

In terms of funding and various types of public support, this indicator contributes to the effective distribution of these funds, both in terms of activities to eliminate weaknesses and weaken threats, as well as the support of strong points and activation of opportunities. Of course, much depends on the policies and strategies implemented. Unlike previous approaches to tracking the performance of a destination, this indicator also allows for the monitoring of the internationalisation element, even at the regional level.

## 6. Research limitations

It is necessary to take the constructed indicator with certain assumptions. Some of these are restrictive in that they reduce the predictive ability of the indicator, but they cannot be fully included in the model:

- Abstractions from the interconnection of tourist areas (e.g. visiting one tourist area may occur while staying in another tourist destination, which is often the case).
- Abstraction from the interaction between tourist areas (accommodation in one tourist area and commuting to another; economic operators on the border of tourist areas can participate in events held in another region.) neighbouring a given tourist destination.
- Does not consider the absolute degree of efficiency of destination management for the tourist destination. For this reason, we used the benchmarking method to compare and evaluate so that it is possible to clearly identify which destination management activities show above-average or below-average performance. The benchmark is considered the average measured value in a given national economy.
- From the database point of view, the current trend of accommodation does not take into account the Airbnb-type activities, which current statistics have not yet fully captured.
- The indicator takes into account quantitative indicators of destination management levels based on open data.

## 7. Conclusions

The overall values summarising the above factors in destination management levels show interesting findings. Overall, in the Czech Republic, the level of destination management in the range of the two evaluated three-year periods of 2013-2015 and 2016-2018 improved. The improvement was driven by the influx of tourists, the use of higher-class accommodation capacities, the increasing number of tourist destinations, and so on. The same was true for the Liberec region, which recorded a progressive increase. On the other hand, in the case of the South Bohemian Region, the value of destination management decreased compared to the first reporting period. The reason for this is the region's initial position: in the first period, the South Bohemian Region showed highly above-average destination management (192.6), far above the benchmark national average (118.01). Naturally, it would be very difficult to maintain such a brilliant position. Abnormally high attendance in the first reporting period, especially in 2015, was a cause and explanation of the lower indicator result in 2016-2018.

Many phenomena surround and thus influence small and medium-sized tourism businesses. The fact that SMEs predominate in this sector plays a decisive role for the competitiveness of the destination, as these types of businesses create the secondary tourism offer and drive the further development of tourism in the destination. SMEs are behind most of the economic activities associated with tourism. With the activities of SMEs in tourism, a number of specific features and problems arise from the nature of supply and demand in tourism, such as the separation of demand and supply over time and the supply side of services that are very subjectively perceived compared to demand. The development of these business activities are a result of the presence of the primary



tourism offer in the area, or the presence of natural, cultural-historical, or technical monuments.

Thus our analyses conclude that the Liberec Region is able to attract sufficient domestic tourists, but the offer of this region shows low competitiveness in terms of foreign tourism. The reason for this is the absence of UNESCO sites and the lack of uniform promotion of the region abroad. Both from the literature review and our survey, it is evident that the environments in which these companies operate influence business on three levels. The macro-level describes the influence of the legislation of a respective state or of the regulations and policies of a given region. In the case of the research, the main example of this is the introduction of EET, which reduced the number of accommodation facilities. Another macroenvironmental factor is the global political and security situation; surveys show an increase in domestic tourists both at the state level and in the monitored regions. On average, the number of domestic visitors in the Czech Republic increased by 38% over the course of the period under review, and this trend was even more pronounced from a foreign perspective at 42%. Both of the compared regions reflect this trend of increased domestic traffic: in the Liberec Region, the number of domestic tourists increased by 35% and in the South Bohemian Region this factor increased by 40%. On the other hand, the South Bohemian Region recorded the highest increase in foreign visitors at 91%, but the Liberec Region saw only a 22% increase. In future research, it would be appropriate to expand the proposed methodology to account for variables describing specific work and outputs of the destination management (e.g. establishing cooperation between economic entities, assessing activities leading to the building of a unified brand). In addition, the existing open data will be supplemented by a local survey mapping targeted destination management activities that lead to improved service quality.

Given that the indicator described here takes into account the number of foreign and domestic tourists separately, it is possible to work with the indicator in more detail to assess the internationalisation factor of a given tourist area. As a result, it is possible to target selected groups of visitors more effectively and to modify marketing strategies and funding allocations more efficiently.

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