# The Roles and Functions of Destination Management Organizations (DMOs) in the Success and Performance of Tourism Destinations

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#### **Abstract**

The Destination Management Organizations (DMOs) lead and coordinate the management activities in many tourism destinations and play the role of strategic leaders in their development. They are responsible for coordinating and integrating the elements of the destination mix. An effective leadership and coordination through the DMO, within a coherent strategy, ensures the performance, competitiveness, sustainability and success of a tourism destination. The DMOs ensure the success of a tourism destination when they perform a range of roles in the marketing and development of the destination, develop and manage partnerships between the tourism industry and public departments and agencies, and carry out leadership, planning, organization and performance management functions of tourism activities in a destination. As far as the Romanian tourism is concerned, an integrated planning, along with a practical application of the destination management concept and a real collaboration of central and regional public authorities with the private sector organizations represent the priority actions that can ensure a sustainable growth and an improvement of competitiveness on the international tourism market.

**Key words:** tourism destination, Destination Management Organizations (DMOs), tourism performance, Romanian tourism **J.E.L. classification:** Z30, Z32, L83

#### 1. Introduction

The Destination Management Organizations (DMOs) are the main structures responsible for leading, coordinating, stimulating and monitoring tourism development and marketing in a particular tourist destination.

At present, the Destination Management Organizations (DMOs) play the role of strategic leaders in many tourist destinations, leading and coordinating the management activities according to a coherent strategy (UNWTO, 2007). First, the promotional activities attract tourists to a destination, but the appropriate environment and quality will meet their expectations, so that they will return and recommend the respective destination to others.

The Destination Management Organizations are complex structures, bringing together numerous *public and private stakeholders* (UNWTO, 2007):

- national, regional or local public or governmental authorities;
- agencies designated for economic development;
- management organizations of a locality;
- management of national parks;
- transport service providers;
- tourist attractions, events and cultural organizations;
- hospitality service providers (accommodation, restaurant, leisure, retail);
- agencies representing the destination;
- intermediaries: tour operators, travel agencies, event organizers, cultural organizations, etc.;
- media:
- local or regional tourism consortia and partnerships;

- agencies that encourage and support business development;
- organizations dealing with professional development.

The Destination Management Organizations can operate at any of the following levels (UNWTO, 2007):

- at national level, in the form of National Tourism Authorities (NTAs) or National Tourism Organizations (NTOs National Tourism Organizations), having responsibilities in the field of tourism management and marketing at national level; such structures can also develop at a transnational level (for example, the European Travel Commission, a non-profit organization that cooperates with 32 European NTAs, in order to develop and promote European tourist destinations, through Visit Europe website http://visiteurope.com/en/about);
- at regional level (state, province, county), DMOs or RTOs (Regional Tourism Organizations) deal with the management and marketing of tourism in a certain area which can be, but is not necessarily an administrative region of the type of county, land, province or state;
- at local level, there are local or municipal tourism organizations that contribute to the development and promotion of tourism in limited areas (such as a tourist town); these can be tourism organizations from mountain, seaside or other type of resorts ("resort organizations");
- product based organizations are dedicated to a specific tourism product, such as adventure tourism or bird watching.

Therefore, the Destination Management Organizations should develop a high level of qualification in developing and managing partnerships, since they are responsible for coordinating and integrating the *elements of the destination mix* (UNWTO, 2007):

- tangible tourist products: tourist attractions, tourist facilities, transport and general infrastructure;
- people: tourists and the local community;
- tourist packages organized by tour operators, travel agencies and others;
- programs: events, festivals, activities, etc.;
- destination marketing, an important part of the destination management process.

#### 2. Theoretical background

Although the first theoretical works on Destination Management Organizations appeared two decades ago, Morrison (2013) explains that the Destination Management Organizations have existed for more than a century, all over the world, in various forms (government departments or quasi-departmental structures of tourism).

The Encyclopedia of Tourism (2000) defines the term Destination Management Organization (DMO) as "either a national, regional or local tourism office or bureau, or a national tourism organization or administration. These organizations are entities intended to deal with the destination management process."

Pike (2008) explains the need for DMOs in destination promotion through a better connection between tourism supply and demand and by maximizing the use of destination resources. Copper and Hall (2008) refer to DMOs that, although operating autonomously, are connected and involved in the common policy of tourism destinations, in the funding and associated benefits, because they:

- are often partially or fully financed by the state;
- may belong to official government structures, such as the state agencies;
- have a key role in attracting, in order to work towards the development or marketing of tourist destinations, other public agencies, providers of tourist services and products, local communities;
  - do not have tourism products that they develop, promote or sell.

Although the Destination Management Organizations are responsible for many marketing activities, their role is broader, that of becoming leaders in destination development (UNWTO, 2007). Minguzzi (2006) confirms the fundamental role of DMO in developing tourism in different types of tourist destinations and at all levels: "without the effective leadership and coordination of a DMO, a tourist destination is poorly equipped to be competitive and sustainable."

#### 3. Research methodology

To achieve the general purpose of this study and the proposed objectives, the structural logic was adopted, and the research methodology consisted in the use of several methods of investigation, such as: analysis, observation, deduction, synthesis, classification, comparison, description, the study of representative works in the field and the research of empirical facts. To substantiate the theoretical content, a series of bibliographic sources in the field were studied (works of renowned specialists, normative and legislative acts in the field). Other coherent and information was taken from the web pages of some renowned scientific organizations in the field of tourism (UNWTO, the Ministry of Tourism) and processed into relevant conclusions.

#### 4. Findings

#### 4.1. The roles and functions of Destination Management Organizations

Destination management requires a coalition of many organizations and interests working towards a common goal. Although DMOs typically carry out marketing activities, their interest is now expanding to a strategic leadership role in destination development (UNWTO, 2007). The role of the Destination Management Organization should be to lead and coordinate the activities within a coherent strategy. The DMOs do not control the activities of their partners, but bring together resources and expertise and a degree of independence and objectivity to point the way forward.

Depending on the level they operate at, the DMOs perform a series of *roles*:

- assistance and consultancy for tourism and hospitality businesses;
- tourism product development activities;
- provide services related to the development of tourist resources (for example, the signage of tourist information centers);
- development and professional training of human resources in tourism;
- classification and/or granting of licenses for tourism businesses.

Enright and Newton (2004), cited by Țigu (2012), distinguish *three roles* performed by the Destination Management Organizations:

- the first role consists in creating an appropriate environment for tourism development: policies, legislation, regulations and taxation (for example for planning and infrastructure, development of human resources, tourism product, technology and systems, for related industries and suppliers);
- the second role includes marketing, aiming at persuading tourists to visit a certain tourist destination (e.g. promoting the destination including branding and its image; business management campaigns, especially for micro-enterprises and small and medium-sized enterprises; coherent and correct information services; booking management and facilitation, including online bookings; customer relationship management);
- the third role involves aspects regarding the quality of tourist services and products or the travel experience from a certain destination, respecting exceeding the expectations of tourists (for example, the coordination and management of the destination focused on the quality of the tourist experience; the launch of tourist products; the development and management of events and of tourist attractions; training of tourism personnel; business consulting; strategies, research and development).

Sheehan, Presenza and Minguzzi (2007) dispute over the shift in DMO direction towards management and marketing, attempting to delineate these *roles* into three categories, each with specific activities:

- a) The external marketing role of the destination refers to the fact that the DMO manages the sale of the destination and its tourism products, performing activities such as:
- web-marketing;
- classic or new media advertising;
- knowledge (familiarization) tours of the destination;
- flash sales;
- direct sales;

- direct mail;
- cooperation programs;
- events, festivals, conferences, fairs, etc.
- b) The role of internal development of the destination refers to other activities undertaken by the DMOs to maintain the destination on the market and develop it, except for marketing:
- tourist services, including tourist management;
- quantifying and evaluating tourists' satisfaction;
- information and market research to help the stakeholders understanding better aspects regarding: demand, suppliers of the tourism industry and existing discrepancies between demand and supply;
- ensuring the provision of quality services by tourism human resources;
- managing resources for the sustainable management and development of the destination;
- contributions to attracting and increasing the financial resources, including entrepreneurs' capital.
- c) The role of total management of the destination refers to:
- stakeholders' coordination;
- crisis management.

The DMOs ensure the success of a tourism destination when they perform the following *roles* (Presenza, Sheehan & Ritchie, 2005):

- coordinate a series of tourism actors;
- act as leaders of tourism development in local communities;
- provide advisory services for tourists and assistance for tourist service providers.

Considering all the above, we can summarize the *roles* of Destination Management Organizations as follows:

- a vital and critical role in meeting stakeholders' expectations (both internal and external) as much as possible (Minguzzi, 2006);
- the role of a DMO is not limited to developing and supporting new initiatives in tourism, but it also involves the management of resources (human and internal) in all stages of destination development (Negruşa & Coroş, 2016);
- they get involved in establishing relationships within the regional infrastructures and the existing market (Negruṣa & Coroṣ, 2016);
- they use the legislative and managerial tools in destination planning and management, to ensure that the tourism benefits of the stakeholders are correctly shared between them, based on sustainable practices and ensuring the regeneration of the resources involved in the production of tourism and hospitality services (Minguzzi, 2006; Buhalis, 2000);
- as part of the national, regional or local administrative structures, the Destination Management Organizations have political and legislative power, respectively the financial means necessary to impose a rational management of natural and human resources; in addition, the DMOs can provide long-term and lasting benefits to all stakeholders (Negruşa & Coroş, 2016):
- they capitalize on long-term strategies and collect their results in cooperation with other national, regional or local organizations (Negruşa & Coroş, 2016);
- they are the representatives of local or regional interests at the regional or national level (Negruşa & Coroş, 2016);
- they maximize the profitability of local, regional or national enterprises and the multiplier effects of tourism (Negrusa & Coros, 2016);
- they contribute to the development of the destination brand and its homogeneous and coherent image (Negrusa & Coros, 2016);
- the DMOSs optimize the impact of tourism and the hospitality industry by ensuring a sustainable balance between economic, socio-cultural and environmental benefits (Minguzzi, 2006):
- they ensure the tourism management within the tourism destination (Ţigu, 2012; Bornhorst, Ritchie & Sheenan, 2010);
- they ensure the well-being of the local population;
- they ensure that tourists benefit from the most memorable and satisfying travel experiences;

- the DMOs manage the tourist destination effectively (Bornhorst, Ritchie & Sheenan, 2010);
- they get involved in tourist attraction preservation and management.

Ritchie and Crouch (2000, 2003) outline a new perspective of DMO, presenting it as a management organization, including marketing as a key function and leading the destination towards tourism development. The same idea is also expressed by the specialists of the World Tourism Organization, Carter and Fabricius (2006), who emphasize the characteristics of the DMO as a strategic leader in the marketing and development of the destination, facilitating partnerships between the tourism industry and public departments and agencies towards a collective vision of the destination. According to them, the *functions* of the Destination Management Organization are:

- management (strategic direction and high-level expertise);
- planning (policies and strategies in order to obtain competitive advantage, development and marketing plans, business plans);
- organization (estimating/coordinating the fulfillment of the business plan objectives, organizing appropriate organizational structures and processes, facilitating partnerships, creating opportunities for entrepreneurs);
- performance management (measuring and rewarding performance, monitoring governance, identifying gaps and providing appropriate solutions).

## 4.2. The contribution of Destination Management Organizations (DMOs) in the success of tourism destinations

The economic success, quantified through various indicators (the number of tourists, their expenses, the number of tourism employees, the number of tourism businesses in a certain destination), is a common and visible attribute in the evaluation of a tourist destination. To quantify the success of a tourist destination, many studies consider only one of the following aspects: the effectiveness of marketing activities (Buhalis, 2000), the product offering (Faulkner, Oppermann & Fredline, 1999; Rhodes, 1996), the price (Gunn, 1994) and quality (Go & Govers, 2000).

In the process of evaluating the success and performance of a tourism destination, the tourists' perception is considered the most important factor (Ritchie & Crouch, 2000). Successful tourist destinations are those that inspire a special and strong feeling in visitors, highlight a certain uniqueness and manage to outline an individual identity, clearly outlined, based on intrinsic characteristics and advantages, difficult or impossible to copy by other destinations. Godfrey and Clarke (2000) believe that destinations should not focus on similarities, but on differences, which guide them to success.

From the holistic perspective of the success of a tourism destination, Ritchie and Crouch (2000) argue that some output variables (production, yield, capacity, productivity) must be added to measure the success also from the perspective of the stakeholders involved in the tourism system. Therefore, these authors consider that the destination competitiveness is connected to its ability to create added value and, consequently, to increase the local well-being and the destination attractiveness in a sustainable manner. The study indicates five factors determining the competitiveness of a tourism destination:

- destination policy,
- planning and development,
- destination management,
- essential resources and
- supporting factors.

While the efforts to explore the success criteria for a tourism destination's competitiveness have gained considerable attention, few studies investigate the effect of DMOs on the overall success of a tourism destination. These studies pay particular attention to the performance indicators and models of an DMO (Ritchie & Crouch, 2003; Dwyer & Kim, 2003; Spyriadis, 2014). Bornhorst, Ritchie and Sheehan (2010) present indicators associated with both DMOs and tourism destination, Spyriadis, Fletcher and Fyall (2013) conceptually examine the application of BSC to DMOs, and Spyriadis (2014) provides a systematic and robust assessment of DMO performance, combining internal and external perspectives of DMO effectiveness.

Dwyer and Kim (2003) emphasize the importance of the internal managerial function for the destination competitiveness. Borhorst, Ritchie and Sheehan (2010) demonstrate that the managers of a DMO must be aware that success will be ensured by how well these organizations are run. The quality of the management processes attracts and retains good employees who are professional, reliable and respected by other tourism stakeholders in a destination. In this way, it also increases the ability of the DMO to attract more funds, partners and resources.

The performance of the management activity of a DMO influences the success of a destination and from this perspective, it is important to improve its efficiency and effectiveness. Morrison (2013) states that for the DMOs, efficiency refers to achieving goals at the lowest cost, while effectiveness measures the degree of success in achieving goals and objectives. Ensuring efficiency can be achieved through the day-to-day management of a DMO and the internal control system. The effectiveness of a DMO reflects the degree to which actual or planned output (productivity) matches both the official (strategic) and operational (operational) goals. This coincidence can influence the accountability and legitimacy of a DMO within the tourism destination and among stakeholders.

Spyriadis (2014) suggests that for a successful business planning of a DMO, the appropriate tangible and intangible resources must be obtained and used efficiently and effectively, and the business objectives and priorities of a DMO must correspond to its raison d'être and strategic non-profit, through strategic management and collaborative governance for tourism development. A holistic approach to assessing the DMO's performance requires a focus on two key interrelated perspectives, the external and the internal one.

#### 4.3. The integrated management as a success solution for Romania destination

In the case of Romania, the inconsistent organization of tourism promotion at the governmental, regional and local level, the centralization at the decision-making level, but also the political implications in tourism management have led to the reduced performance and competitiveness of the tourism destination Romania (Negrusa & Coros, 2016).

Therefore, a new approach to the management of the tourism destination was necessary, and in 2016, the former National Tourism Authority presented a new vision for the development of tourism in Romania, through the Destination Management Organizations (DMOs). "The development of a destination means more than the involvement of tourism economic agents and local public authorities. It means the involvement of all economic agents in the area. It is the only viable model for managing a destination", declared the former president of the National Tourism Authority, Anca Pavel-Nedea.

In practice, these DMOs were supposed to function by associating the public authority in the field of tourism with the representatives of the local public authorities (county council, town halls) within a destination, but also with the representatives of the private sector (owners of guesthouses, hotels), of tourism promotion associations and, as appropriate, with the representatives of other relevant entities (educational institutions, etc.) to achieve a sustainable management. To associate the local public authorities in these DMOs, it was necessary to establish a Tourism Directorate for each County Council and Tourism Offices within the Town Halls.

A year later, the concept of Destination Management Organization (DMO) was implemented by the Government Order no. 15/2017 and supplemented by the Law no. 275/2018. The purpose of the Destination Management Organizations is to contribute to the exploitation of the tourist potential, respectively to the increase of tourist demand and tourism receipts both locally and nationally.

The Ministry of Economy, Energy and Business Environment - General Directorate of Tourism launched at the beginning of 2020 the report on the operationalization of a network of Destination Management Organizations (DMOs) in Romania and the Operation Manual of Destination Management Organizations. The report is the result of a project carried out in collaboration with the Organization for Economic Cooperation and Development (OECD) and financed by the European Commission, through the General Reform Directorate, to support the establishment and operation of the DMOs in Romania.

Also, in order to improve the tourist competitiveness of the area and the image of the destination, the network of tourist information and promotion centers is being created at national level, which will include both the National Tourist Information and Promotion Centers and the Local Tourist Information and Promotion Centers. This measure implies a good collaboration between the different local public administrations and tourist entities, a responsibility of the local authorities by regulating the specific attributions of the centers, but also the involvement of the private sector in the tourism field.

An integrated planning of Romanian tourism, the practical application of the destination management concept, the collaboration of the central and regional public authorities with the private sector entities would be other actions aimed at ensuring a sustainable growth of Romanian tourism and its competitiveness on the international tourism market.

#### 5. Conclusions

The Destination Management Organization is a public utility association that performs the destination development policy, including the destination marketing policy and the coordinated management of the destination components. The Destination Management Organization is established by the association of the local public authority of the destination with special tax payers for tourism promotion, respectively: employer confederations/federations with activities in the field of tourism, employer organizations, employers in the respective destination. As an associate member, with a consultative role, other relevant entities can also join the DMO, such as: promotion associations, professional associations, administrators of protected areas, representatives from academia and professional training in tourism, chambers of commerce and industry and other such entities that operate according to the law on the territory of the tourism destination.

Successful tourism destinations are the result of a successful and sustainable management which obviously depends on the success of the DMO. Wray et al. (2010), cited by Klimek (2013) believe that an effective DMO should have:

- a long-term vision of the destination's development;
- the ability to clearly designate the responsibilities of the shareholders and to develop appropriate operational structures;
- a transparent and responsible decision-making process involving all stakeholders.

The low performance and competitiveness of the tourism destination Romania required a new approach to the management of tourism destination, through the establishment of Destination Management Organizations, a concept implemented legislatively in the period 2017-2018 and considered a viable model to manage a destination by capitalizing on the tourist potential, coordinated managing the components of the destination, increasing tourist demand and tourism receipts, involving public authorities, economic agents with activities in the field of tourism, the local population and other stakeholders.

The transformation of the Romanian tourism industry into a truly competitive one, with a strong positive impact on the national economy, will only be possible by implementing an efficient and effective tourism destination management system. Beyond local conflicts and interests, the Destination Management Organizations must be developed and managed professionally, so that they gradually succeed in offering more competitive, sustainable and responsible tourism products, better responding to the needs and desires of potential customers and promoting them as such, taking advantage of the diversity of available tourism assets (Romanian natural, cultural and social resources) to attract as many segments of international tourists as possible.

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