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## MANAGING INFORMATION AND INTELLECTUAL CAPITAL IN THE DEVELOPMENT CONCEPT OF TOURISM DESTINATIONS\*

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**Abstract:** Tourism of the twenty-first century is evolving into an industry of entertainment, active holidaymaking, events and experiences. By innovating their development concepts based on original solutions and ideas and through the synergy of tourism supply providers and the local population, tourism destinations need to take an active part in creating the future and find answers to the key issues of: (1) how to be better and different relative to the competition, (2) how to more fully meet the needs of modern clients. In permanently optimising a destination's offering, it is vital to use the new strategic orientations of benchmarking, business intelligence (competition), IQM and CRM (clients) to gather and transform data into information and knowledge as a starting point for making decisions and devising a destination's development concept. The key is to identify what is essential in a plethora of data and to manage information in selecting a variant of development that provides the greatest likelihood of success. On the globalised, turbulent marketplace, intellectual capital and information are becoming primary resources in gaining higher competitive advantages (speed – time).

*Key words:* information, intellectual capital, development concept, destination, innovation.

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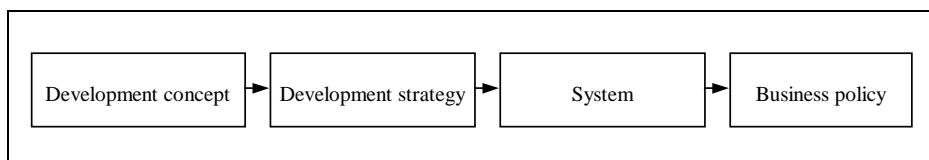
## INTRODUCTION

The turbulent environment of the twenty-first century (the evolution of tourist preferences and the differentiation of competitor activities) is giving rise to new challenges in the development of tourism destinations. Merely managing change is no longer enough. Instead, it has become necessary to actively create the future by innovating the offering in order to reposition a destination above its competitors and demand. Managing data to create information and knowledge and implementing intellectual capital in the development concept and strategy is the key to a proactive approach. The future belongs to the destination that is capable of seeing opportunities before they become obvious. Through the rethinking of development and business decision-making, information management should result in expanding those aspects of the offering that are crucial to attracting potential tourists today and tomorrow.

### 1. TOURISM DESTINATION DEVELOPMENT-CONCEPT MODEL

Based on a tourism destination's existing situation and resource base, a development concept model needs to be put in place that will provide a qualitative response to market challenges in an uncertain future within a new value system on the marketplace. It needs to undergo continuous change in keeping with the increasingly discerning requirements of demand and activities of rivals. The competitive ability of a destination signifies that not only does it hold a competitive advantage in its current market niche today, but that it is also ready to respond to all market incentives tomorrow by building its own competencies in the present.

**Figure 1:** Development design model



Source: By the Author.

A development design model encompasses four closely linked notions:<sup>2</sup>

- **Concept** – This represents a set of rules and principles upon which depends the selection of a strategy as a dynamic discipline and the choice of a system and business policy to accomplish an enterprise's goals and mission. This means anticipating the future in the present. The concept serves to identify the enterprises objectives or mission and its long-term goals, determine alternative strategies and choose optimum lines of development, and to help allocate resources to achieve these goals. It represents the game plan that is defined by the enterprises goals, opportunities and resources for growth and development.

<sup>2</sup> Stipanovic, C., *Koncepcija i strategija razvoja u turizmu – Sustav i poslovna politika*, Fakultet za turistički i hotelski menadžment u Opatiji, Opatija, 2006, p. 13.

- Strategy – A strategy represents the activities a business undertakes in carrying out its development concept to achieve corporate goals. It is an expression of “will do” as a continuation of the concept’s “can do”. It is used to confront today’s and tomorrow’s growing uncertainties caused by the increase in and networking of a company’s internal uncertainties with the external uncertainties of its environment. This is a live discipline that does not require a formal design.
- Business development system – This represents the totality of activities, interactions and links needed to realise the development strategy with the intention of accomplishing business objectives. The management sets up and optimises the business development system to ensure the continuous improvement of destination processes and projects, based on knowledge and intellectual capital, in creating new values and accomplishing objectives.
- Business policy – The final link in the development design model, a business policy, in the present and in the future (development policy), is used in trying to realise business goals and the state desired, within a changing environment. This involves operationalising the development strategy and realising a business development system focused on growth and development.

A development concept model represents the permanent activity and synergy of all stakeholders of a destination’s offering and the local population, aimed at improving performance in terms of quality (destination IQM) and achieving competitiveness in a turbulent marketplace. This model highlights a destination’s attractions and distinctive features, with individual tourism providers differentiating services and facilities with the purpose of attracting potential tourists. In the globalised tourism industry of the twenty-first century, “either-or” alternative strategies no longer have a place in development concepts. A synergetic resultant is formulated that embodies the best of each concept and strategy in response to challenges emerging within the dynamic tourism market. Continuous efforts are made with a view to optimisation, finding better business models, and adjusting to future changes. The success of a development concept model depends upon information management and the level of intellectual capital of the stakeholders in a destination’s offering.

## **2. IMPORTANCE OF INFORMATION AND INTELLECTUAL CAPITAL IN THE FUNCTION OF DEVELOPMENT**

In a development concept model, the tourism destination needs to valorise information and intellectual capital as the most important resources (proficiencies, skills, competencies, creativity and inventiveness are becoming the most essential sources of long-term comparative advantages for economic growth) in generating competitive advantages based on quality, cost and focus (Porter’s generic competitiveness model) and innovations (quick response) as a crucial advantage in twenty-first century tourism. Tourism destination logistics, a vital factor of the value chain, is transformed into the logistics of information and knowledge as the basis for selecting a development concept. Meaningful information provides direction for the

development of the destination at the macro level and for development of tourism providers at the micro level, while reducing uncertainty and identifying change as opportunities that can be valorised to enhance the strengths of both the destination and tourism providers. The aim is to resolve problems and bridge the gap between the limitations of reality and the unlimited opportunities for destination development, that is, to facilitate the knowledge-based transformation of a destination from a low-profit to a high-profit area. It is about engaging and encouraging the intellectual and creative forces of all tourism providers in the destination in managing change in their environment, and creating new competitive advantages.

Meaningful information is the basis and starting point of all of the activities of a destination. It has the following characteristics: its value grows through repeated use; it is not subject to the law of conservation of matter and energy; any number of users can use it simultaneously; it requires little energy and space; it enhances work productivity and business efficiency. Information coordinates over all other resources, which gain in value through its use in business decision-making. It has the right value providing it is accessible at the right time and in the right place. It implies a change in mindset and it impacts on the behaviour and judgment of the recipient of information. Today, technology is no longer the greatest challenge. The challenge is to use information in an intelligent way.

In the post-information society of the twenty-first century, the body of knowledge doubles every two years. Given this plethora of data, being able to identify the key data and transform them into information and knowledge as the basis of decision-making is crucial. This is an especially complex task in conditions of “daily values” when it is not known whether the information obtained today will be valid tomorrow. The only constant presence in the marketplace is change (change in demand, supply, competition, in the external and internal environment). In conditions such as these, it is imperative to react, change and innovate, because waiting means stagnation and doom. Information must become a basis for anticipating change, and it must be incorporated into intellectual capital to help innovate the concept of development. Intellectual capital represents a dynamic concept, a strategic orientation, and an imperative in generating new knowledge, understanding and activities in the affirmation of knowledge. “Intellectual capital represents the totality of knowledge, information, technology, intellectual rights, experience, organisational learning, competencies, client relationships, and brands within a company”<sup>3</sup> or “the totality of intangibles that create value and competitive advantage”<sup>4</sup>. It involves using materialised knowledge in practise to create competitive advantages. Knowledge is a renewable source, it recognises no boundaries, and its value grows the more it is used. New discoveries open up a new view of the future, a view towards future lines of research. Each new discovery reveals how much we still need to learn and how new knowledge can be deepened at an increasingly faster and more efficient rate. The number of discoveries will grow propulsively in opposition to the argument that all

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<sup>3</sup> Stewart, T. A., *Intellectual Capital: The New Wealth of Organisations*, Doubleday/Currency, New York, 1997, p. 23.

<sup>4</sup> Edvinsson, L., *Developing Intellectual Capital*, Long Range Planning, Vol 30, 3/1995, p. 8.

epoch-making discoveries have already been made. Key to this process is the transformation of new data and information into knowledge.

### 3. TRANSFORMING INFORMATION INTO KNOWLEDGE

Information regarding clients, competition and other market activities must be embedded in knowledge, business intelligence and a new development concept aimed at multiplying and increasing profits. The objective is to create information capable of opening new business horizons in the decision-making process before the competition does. Information needs to become the basis for anticipating change; it should encourage change and needs to be embedded in the on-going process of optimising the development concept to improve performance. "Intelligence raises information to a higher level within a company. Data and information are objects. Intelligence is organic, it is derived from information, and it contributes to the state of a company, which can be characterised as collective intelligence. Intelligence is the result of a comprehensive assessment of information, past actions and opportunities. Once created, it tends to spread through a company."<sup>5</sup> It implies the ability to understand and cope with new circumstances, the ability to discover the regularities between facts and problem solving. Providing a destination with a new view of the future, it represents an organised body of knowledge of one's performance and of all the determinants of the external environment. Twenty-first century knowledge needs to discard obsolete paradigms, and embrace new understandings and evolve from the obsolete phase into the phase of intelligent and applicable knowledge. The question is how can knowledge be implemented, that is, how can knowledge be used to optimise business. Knowledge is becoming the key to managing change and actively creating the future.

**Table 1:** Interfacing obsolete and intelligent knowledge

Obsolete knowledge	Intelligent knowledge
Knowledge of the determinate (facts)	Knowledge of transition, dynamics, forms
Focus on laws of ossification	Focus on laws of oscillation
Knowledge that objectifies itself	Knowledge that generates growing mental energy
Logic and logical thinking as a choice	<i>Transligion</i> as a source
Sagacity	Wisdom

Source: Gerken, G.: Mind Management, Econ Verlag, 1994, p. 9.

Knowledge management is carried out in four key areas:

- Innovativeness – recruiting and implementing new operatives; bringing operatives together in virtual, development teams; creating forums for cooperation and the exchange of ideas - all of this free from the limitations of space and time;

<sup>5</sup> Liautaud, B., Hammond, M., *e-Poslovna inteligencija*, Prudens-Consilium, Varazdin, 2006, p. 123.

- Response speed – the availability of information to managers as a starting point for activities aimed at providing a timely and more effective solution to client (tourist) demands. This also involves being able to detect weak market signals as they emerge and to respond as quickly as possible if a competitive advantage is to be gained;
- Productivity – embracing and sharing best business practises as well as other useful knowledge to eliminate redundant activities and the time required for problemsolving;
- Education – the continuous development of skills, competencies and knowledge of operatives based on the concept of lifelong learning. The most profitable investment is the one made in education.

Intellectual capital needs to be firmly embedded in the development concept and strategy of a destination to enable qualitative improvements and the diversification of the tourism offering and all segments of tourism operations.. Competitiveness on the tourism market of the twenty-first century cannot be gained using knowledge acquired in the twentieth century; instead, new knowledge, understanding and discoveries must be consistently acquired, and research, continuously conducted. Gaining new knowledge, concepts, research methods and overcoming uncertainty is all about learning to live in a turbulent environment. “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic”.<sup>6</sup> To this end, it is necessary to implement new strategic orientations within a tourist destination and to break down all resistance to change.

#### **4. NEW STRATEGIC ORIENTATIONS OF TOURISM DESTINATIONS**

The tourism industry of the twenty-first century is growing ever more propulsive, dynamic and turbulent under conditions of increasingly fierce competition, and it is transforming its traditional offerings into an industry of entertainment, events and active holidaymaking commensurate with ever more sophisticated tourist preferences. Through its development stages, tourism takes on new forms and seeks to meet the increasingly stringent criteria set for the wide range of tourism products and services; it is constantly being enriched with new motivations that bring about decisive changes to the purpose, manner and contents of holidaymaking. Novel facilities and services look to bring about a qualitative shift away from the existing offering, a step further in fulfilling the increasingly discerning demands of tourists. The development of new tourism based on ecology and sustainable development is specified through the identification, assessment and valorisation of all potential and actual tourist attractions with the purpose of creating new tourist experiences. Demand has become more dynamic and heterogeneous, and it is very difficult to anticipate the direction and speed at which tourist preferences are likely to develop. Tourists are setting higher criteria by developing preferences that are ever more sophisticated. Tourism supply is striving to lessen the gap between its own static and limited nature and the demands of today’s

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<sup>6</sup> Drucker, P. F., *Inovacije i poduzetnistvo*, Globus, Zagreb, 1992, p 123.

tourism markets (competitors, clients). By rethinking development and applying proactive marketing, it is crucial to predict future demand, that is, to define future forms of the offering and generate demand for this segment of the offering. The tourism offering should not be adapted to current demand because of its static nature and the time needed for adjustment. By the time an offering reaches the required level of adjustment, new requirements will already have crystallised in the marketplace. In creating a new tourism offer, it is crucial to be the first to do so, because no copy can stand up to the original. "Competitive ability can be gained only by competing, and the performance of an enterprise in the future will increasingly depend upon diversity and readiness for the changes to come."<sup>7</sup> Regardless of how absurd or financially unsound it may seem to us today, the offering in the future will be adapted to each individual client.

To adjust to the new system of market values, a destination needs to introduce standardisation, implement information technology, train operatives and a new generation of destination managers, define IQM (a destination's integrated quality), carry out qualitative changes to destination management...In developing, a destination must manage information regarding rivals and clients by establishing new strategic orientations:

- Benchmarking – directly comparing and interfacing one's practises to those of the closest or best rivals in order to enhance one's own strengths and overcome weaknesses. Benchmarking provides a destination with guidelines to improving its problem-solving and business processes, its solutions and functions. It indicates the need of breaking with the previous way of doing business that has failed to yield the results desired, and putting in place new or modified practises.
- Business intelligence – a strategy that focuses on gathering and analysing external information, as the starting point of business decision-making, based on the implementation of modern software and IT solutions. BI is a systematic and ethical way of capturing, gathering, sorting and analysing publicly available information on the activities of competitors, based on which future business trends can be predicted to help establish and ensure one's competitive ability in the marketplace.
- CRM – a process or methodology used to study and analysis client needs and behaviour for the purpose of creating a better and more personalised relationship with each client. It represents a synergy of sales and marketing and serves to create an image of potential clients that will help to determine in which way they should be treated and handled.

The primary issue is how to capture as much meaningful data on rivals and clients, and how to transform this data into information and knowledge. Today 80 percent of all information is available in the marketplace. The problem with this plethora of information, however, is how to select information that is crucial to making the business decision that is most likely to ensure success. Based on the information captured, a company's analysts should use development scenario and timelining

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<sup>7</sup> Dujanic, M., *Upravljanje promjenama u poduzeću*, Proceedings of the Faculty of Economics of Rijeka, Rijeka, Vol. 24., No. 1, 2004., p. 51.

methods in an attempt to forecast and anticipate future business moves of competitors and clients. Development scenarios for other stakeholders within the environment are incorporated into a destination's development concept to help strengthen its market position. With an aim to improving a destination's market position, the objective is to forecast all the activities of rivals and clients and to be ready to undertake counteraction against any action they may take. Should the competition catch a destination unprepared, it will require time and resources for the destination to come up with an appropriate response, which will have an adverse impact on its financial results. The problem is that the market is becoming increasingly more dynamic, making it necessary for development concepts to be continuously changed, modified and optimised. An optimum state does not exist; a destination's performance can and must always be improved upon based on information and knowledge in order to bring about its growth and development.

## 5. CONCLUSION

In the process of innovating its development concept and adjusting to a new value system, a tourism destination must enrich its tourism product while improving promotion in order to reposition itself on the tourism market. The objective of a destination development concept must be to implement and assert intellectual capital in practise in solving concrete problems and situations in optimising operations. The challenge lies in uncovering what we have (intellectual capital and information) and in using it. An advantage will be gained by the destination that is more successful in managing data, information and knowledge in logistic processes to create new values. There is a continuous commitment towards implementing new strategic orientations, mutual learning and creating new knowledge as a starting point in gaining competitive advantages at higher, qualitative levels (innovations).

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