

# LEGAL FORMS OF MODERN DESTINATION MANAGEMENT ORGANIZATIONS AND THEIR INFLUENCE ON THE RANGE OF TASKS AND RESPONSIBILITIES

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## **Abstract:**

This article presents possible legal and organizational forms of modern destination management organizations (DMO) on the one hand, and their influence on the potential range of the tasks and responsibilities of these organizations on the other. In the article, theoretical issues were referred to; also, the results of the research by the author and other scholars were made use of. An analysis of the available sources demonstrated that modern DMOs occur in various legal and organizational forms, even though public and private partnerships of different of with a non-profit nature are most frequently met. An analysis of regional organizational structures in tourism on the example of Poland explicitly demonstrated that their legal form defines to a significant extent the range of their tasks. Thereby, it was proved that a given entity is clearly oriented towards the realizations of the tasks attributed it, while other tasks are realized either in a limited scope or they are simply “reserved” to other entities.

*Keywords:* destination management organizations, legal form, tasks.

*Jel Classification:* L31, L32, L83

## **INTRODUCTION**

Destination management organizations (DMO) are those primary organizational units which are responsible for a broadly understood development of tourism in a destination. The views on these entities indicate a number of tasks in connection with which these organizations were formed. Various authors refer to different scopes of responsibilities; nevertheless, it is accepted that these organizations possess a very wide range of tasks. It is accepted that DMOs are leaders in individual destinations.

The purposes of this article is an attempt to define the legal form of DMOs on the one hand, and an analysis of their influence on the potential tasks and scope of

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responsibilities on the other. Thereby, the author's intention is an attempt to find out whether in fact modern DMOs can be responsible for the range of responsibilities which is often presented in the literature.

Scholarly literature resources were used in the article; these allow one not only to define the organizations under examinations but also to determine the levels of their occurrence and the scope of their responsibilities. The results of the research carried out by the author of this article and by other scholars were made use of, as well. The analysis of dependences between the legal form and the range of tasks was based on the regional organizational structures that are responsible for tourism in Poland.

## **1. DEFINITION OF DESTINATION MANAGEMENT ORGANIZATIONS. ADMINISTRATIVE LEVELS OF THE OCCURRENCE OF DMOs**

In the literature, there are a number of definitions that determine the DMO. At this point, it should be mentioned that various authors do not only define in different manners the organization itself, but they also hold diverse views concerning the name itself: some make references to destination marketing organizations, whereas others speak about destination management organizations (Borzyszkowski 2011). Destination Management Organisations are defined by the World Tourism Organisation (UN-WTO) as "(...) those organizations which are responsible for management and/or marketing of individual tourist destinations" (World Tourism Organisation, 2004). According to Majewski (2007) these are "(...) organizations which are responsible for the coordination and supporting of the activities of all the entities involved in the marketing of destinations". Collins and Buhalis define Destination Management Organisations as the providers of products and information technology services to customers, agents and suppliers in the sector of tourism (Mendling, Rausch and Sommer 2005). Padurean (2010) speaks about an organization which is responsible for the management and coordination of all the activities in a destination including planning and promotion.

A review of definitions that specify the DMO frequently indicates the most important tasks of the organization. The World Tourism Organization speaks about management or marketing (the World Tourism Organisation 2004), Padurean (2010) indicates comprehensive management while at the same time emphasizing the element of planning and promotion. Morrison (1998) also speaks about promotion, yet Beritelli and Reinhold (2010) state that DMOs are "(...) a mirror of all the organizational aspects of a destination". Hence, it can be accepted that in many cases, the majority of tasks which are the result of activities in the scope of the development of a competitive destination, are attributed to organizations of the DMO type. A review of scholarly sources also permits a determination of those administrative levels where DMOs appear:

- national tourism authorities (NTAs) or organizations (NTOs) (responsible for management and marketing of tourism at a national level);
- regional, provincial or state DMOs (RTOs) (responsible for the management and/or marketing of tourism in a geographic region defined for that purpose, sometimes but not always an administrative or

- local government region such as a county, state or province) and local DMOs, (responsible for the management and/or marketing of tourism based on a smaller geographic area or city/town) (World Tourism Organisation 2004).

According to other sources, a DMO can occur as:

- national tourism organizations,
- regional/provincial state tourist organizations,
- city tourism organizations,
- coastal resort organizations,
- ski or other sport organizations (Mintel 2005).

As it can be seen above, it is accepted that DMOs can practically occur on any levels of the government and local-government administration. What is more, they may assume various legal and organizational forms.

## 2. TYPES OF LEGAL AND ORGANIZATIONAL FORMS OF DMOs

In the scholarly literature, apart from the presentation of the levels of the occurrence of DMOs, it is also the potential legal and organizational forms of these entities that are indicated. Pike (2004) claims that originally, DMOs were “government departments or industry association collectives”. However, nowadays there are more different types of corporate governance that Destination Management Organizations can adopt. Thereby, the author indicates the historical transformations of the possible legal forms of DMOs while depicting their diversity in the present days.

According to the UNWTO destination management organizations are:

- department of single public authority,
- partnership of public authorities, serviced by partners,
- partnership of public authorities, serviced by a joint management unit,
- public authority(ies) outsourcing delivery to private companies,
- public-private partnership for certain functions – often in the form of a non-profit making company,
- association or company funded purely by a private sector partnership and/or trading (World Tourism Organization 2007).

UNWTO provides a very wide scope of the possible legal forms of DMOs. What is interesting, some authors explicitly indicate a certain legal formula of DMOs. According to Gretzel et al. (2006), Destination Management Organisations are non-profit entities which aim at the generation of the visits of tourists in a given area.

An attempt to define the legal forms of DMOs was one of the purposes of this article. To this aim, the author carried out research on a sample of 52 regional and local DMOs<sup>2</sup>. The organizations examined represented in total 16 European states (Slovakia, Finland, Austria, the Czech Republic, Cyprus, Spain, Sweden, France, Wales, England, Switzerland, Poland, Hungary, Montenegro, Estonia and Serbia). In the structure of the organizations examined, 20 were of a regional character and 32 were of a local nature.

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<sup>2</sup> National organizations were not taken into consideration in this analysis: they were characterized in the further part of the article.

**Table 1.** Legal form of regional and local DMOs (n = 52)

No.	Legal form	Number	%
1.	Regional / local government	8	15.4
2.	Chamber of commerce / division of a chember	0	0.0
3.	Public-private partnership non-profit	21	40.4
4.	Public-private partnership for-profit	1	1.9
5.	Private non-profit organization	11	21.2
6.	Private for-profit organization	0	0.0
7.	Other	11	21.2
8.	Total	52	100.0

The results obtained reveal a certain diversity of the possible legal forms of DMOs: out of 7 mentioned, the organizations examined represent 5 forms (Table 1, author's own research). Nevertheless, it can be observed that the non-profit public-private partnership (40.4%) was the form that was the most frequently encountered. Similar investigations were carried out by Kamann (2008) with a group of 61 DMOs. The difference between the investigations mainly consists in the fact that Kamann also took into account structures of a national nature (there were 11 of them, i.e. 18.0% of all the DMOs examined). It resulted from the research by the abovementioned author that it is also the non-profit public-private partnership (50.91%) that is the most frequent legal form, followed by government agencies (20.00%); others (10.91%); private non-profit organizations and public-private for-profit partnership (7.27% each); private for-profit organizations (3.64%). 10.91% of the organizations examined failed to provide any answers. It is explicitly evident based on both investigations that public-private non-profit partnership are the dominating legal form. In this context, what is the reason for the domination of this legal form of DMOs? According to Klein, over many years, DMOs mainly occurred in the form of government institutions. However, he emphasizes that in recently, more and more DMOs have been coming into existence based on the rules of public and private cooperation or even in a completely private form (Batarow, Bode, and Jacobsen 2008). The creation of DMOs within the framework of public and private partnership rules offers significantly better possibilities of development and implementation of various marketing initiatives (Zahra 2006). It is to be expected that in the nearest future, they will continue to be the dominant legal form of DMOs. What is more, their significance may increase even further.

The case of national structures may be considered to be a special one. As mentioned above, both national tourism administrations (NTA) and national tourism organizations (NTO) can be recognized as DMOs at the national level (World Tourism Organisation 2004). It should be remembered that the appropriate department (ministry), which is responsible for the overall creation and determination of tourist policy in the state, is considered to be an NTA (Borzyszkowski 2005). Thereby, these entities are "automatically" and completely organizations of a governmental nature. In the case of national tourism organizations, the situation is slightly different. These are entities of a national nature which are responsible for operational functions connected with tourism including broadly understood tourist marketing as well as the creation of the tourist image of a state (Borzyszkowski 2005). The research carried out by the author in the year 2004 on a group of 21 European NTOs demonstrated that they possess

governmental and quasi-governmental forms in 16 cases, and in almost 5 cases: a non-government form. In the case of non-government forms, they usually occur as associations (Austria) or foundations (the Netherlands) (Borzyszkowski 2004). Thereby, those entities can be recognized as ones of a national nature where governmental (or quasi-governmental) structures dominate in the prevailing majority. It is only in rare cases that one may indicate such structures which e.g. have the possibility to create membership structures (e.g. NTOs in France, Switzerland or Luxemburg). However, in the majority of cases, there is no such possibility.

### **3. ORGANIZATIONAL FORMS AND SCOPE OF TASKS: EXAMPLE OF REGIONAL STRUCTURES IN POLAND**

The author puts forward a thesis that the organizational (legal) form of a given organization determines its range of tasks to a significant extent. This means that due to legal determinants, a given organization possesses in a way tasks which have been “assigned in advance”. On the other hand, this causes that not all the tasks, which are formally attributed to DMOs, can be performed by a given organization. In this case, it is worth to use the examples of theoretical issues related the functions of DMOs. According to Morrison, Bruen and Anderson, DMOs perform five fundamental functions, i.e. they are:

- an “economic driver” generating new income, employment, and taxes contributing to a more diversified local economy;
- a “community marketer” communicating the most appropriate destination image, attractions, and facilities to selected visitor markets;
- an “industry coordinator” providing a clear focus and encouraging less industry fragmentation so as to share in the growing benefits of tourism;
- a “quasi-public representative” adding legitimacy for the industry and protection to individual and group visitors;
- a “builder of community pride” by enhancing quality of life and acting as the chief “flag carrier” for residents and visitors alike (Presenza 2005).

It is generally accepted that the present-day DMOs realize many other tasks, and the most important ones include the following:

- product management: including consultancy, booking services, personnel development, product development,
- management of the region: building of partnership in the destination, sustainable development, attracting new investors etc. (Batarow, Bode, and Jacobsen 2008).

It is to be clearly emphasized that the area of the activities of DMOs is constantly changing. This was observed among others by Wagenseil (2010), who indicates three basic spheres of the operations of DMOs, i.e. marketing, product management and the so-called creation of the adequate environment. Wagenseil emphasizes a very wide range of the present-day tasks of DMOs. This is the theory. What about the practice? In this case, the author will use selected examples of the present organizational structures in Poland. This analysis will be based on the current structures on the regional level. The Polish structures that are responsible for tourism went through a number of

transformations at the end of 20<sup>th</sup> century. These changes concerned entities on all administrative levels, i.e. local, regional and national levels.

Fundamental changes have also occurred on the regional level. In the year 2000, the process was initiated of the creation of the so-called regional tourism organizations which were to be responsible for the promotion and development of tourism in provinces. Apart from the Regional Tourism Organization, marshal offices, i.e. local government entities in the region possess a fundamental significance for the development of the Polish tourism. It is worth to mention the fact that both types of the entities (i.e. Regional Tourism Organizations and Marshal Offices) correspond in the territorial aspect to the administrative division in the country: there are 16 of them of each type (Borzyszkowski and Marczak 2012).

To sum up, regional tourism organizations and appropriate marshal offices are the most important entities which are responsible for the development of regional destinations in Poland. What is their legal formula? As a rule, marshal offices constitute the regional local-government authority in individual provinces. Strictly speaking, marshal offices are a budgetary unit of a provincial local-government and an auxiliary body of the province's marshal.

In the case of regional tourist organizations, they may principally accept any legal formula. These organizations can occur among others as associations (basically as non-profit organizations), a union of associations, foundations, partnerships, etc. However, practice shows that in the case of both regional and local tourism organizations, it is associations (or unions of associations) that constitute the traditionally selected legal and organizational forms. The Act on Polish Tourism Organization (1999) provides that after an amendment to this Act, an association is a permissible legal form in the case of the creation of regional and local tourism organizations.

An attempt to characterize the objectives and tasks of the abovementioned entities is another issue. The basic guidelines for the functioning of Regional Tourism Organizations are included in the regulations of the Act on the Polish Tourism Organization (1999), which indicates their general objectives, i.e.:

- tourist promotion of the area covered by their activities,
- support of the functioning and development of tourist information,
- initiation, provision of opinions and support of the development and modernization plans of the tourist infrastructure,
- cooperation with the Polish Tourism Organization (Ustawa..., 1999).

Thereby, appropriate statutory regulations as it were “dictate” a certain part of tasks to regional tourist organizations.

A review of the basic objectives and regional tasks of tourism organization (as defined in their statutes) explicitly demonstrates explicitly that they are in compliance with the guidelines as defined in the Act on the Polish Tourism Organization (1999). The most frequently mentioned goals and objectives include the following:

- in the scope of promotion: running of promotional activities, creation of the tourist image of the region, participation in trade fairs and exhibitions, publications and issue of promotional materials, organization of study tours,
- in the scope of tourist information: running of regional centres and tourist information outlets,

- in the scope of cooperation with external entities: with local government entities, local tourist organizations, the Polish Tourism Organization,
- others: including market and marketing research, personnel education for the needs of tourism, activities in the scope of planning documents in tourism. (Borzyszkowski and Marczak 2012)

On the other hand, it is worth to indicate those activities in the area of tourism which are undertaken by Marshal Offices. Generally speaking, the goals and objectives of all the 16 marshals of provinces (that are the heads of the Marshal Offices) are fundamentally similar. This results from the imposed objectives of regional local government entities in the sphere of tourism. The scope of tasks and competences of the province marshal includes above all the following:

- making entries to the register of organizers of tourism and tourist agents and supervision of these,
- granting licenses of tour leaders and tourist guides,
- classification of hotel facilities to the individual types and categories, and supervision of these,
- running institutions of physical culture and leisure of a regional nature, coordination of activities and financial support of the entities of physical culture, sports and tourism with the provincial reach, and support of provincial sporting and tourist organizations,
- cooperation in the scope of the development of tourism, creation of new tourist products and promotion of the tourist potential through among others participation of the local government of the province in the regional tourist organization,
- coordination and development of the network of tourist information outlets in the province,
- cooperation with those institutions which deal with tourism on the national, provincial, district and communal level,
- organization and supervision of the recreation of children and young people,
- realization of tasks in the area of physical culture and tourism within the framework of school classes (Ministerstwo Sportu i Turystyki 2008).

The tasks presented above can be generally referred to the theoretical issues connected with the functions of DMOs (Table 2, author's own study based on the assumptions proposed by Wagenseil 2010).

**Table 2.** Involvement of selected regional structures in the range of tasks realized by DMOs: example of Polish entities

No.	Tasks	Regional tourism organizations	Marshal Office
1.	Marketing – getting people to visit	Very strong	Poor or none
2.	Product management – exceeding expectations	Very strong	Poor or none
3.	Creating a suitable environment: policy, legislation, regulations, taxation	Average or poor	Very strong

To sum up, it can be observed that in the case of the regional structures that are responsible for tourism in Poland, a distinct division is noted in the scope of

competences between Regional Tourism Organizations and Marshal Offices. However, it is difficult to explicitly state that one or the other entity should fulfill on the current stage the role of destination management organizations. Indeed, in the case of Regional Tourism Organizations a considerable diversification is observed in the scope of the goals and tasks that are defined. They include issues which are not only of a strictly marketing nature (including promotion), but also a number of others including those in the area of research and development or tourist planning (Borzyszkowski and Marczak 2012). It can also be stated that both entities supplement each other, and perform those tasks which are in part assigned to them in the top-down manner. It is difficult to expect that this situation is to change. Thereby, one cannot explicitly appoint the performance of all the tasks that are foreseen for DMOs by one specific entity. In spite of it, one may expect that a significantly greater part of the tasks of DMOs is realized (or at least this is what results from the assumptions of their functioning) by regional tourism organizations. Nevertheless, one cannot expect from these entities the realization of the part of tasks in relation to the creating of a suitable environment. Polish regional tourism organizations do not have any legal possibilities to realize activities in the scope of legislation or any other legal regulations in the sector of tourism. These tasks are “reserved” to other entities (chiefly of a national nature).

At this point, it is worth to emphasize that it is not only in regional or local structures that the phenomenon of a “reservation” of specific tasks and functions of DMOs can be seen due to a specific legal form. This phenomenon is even more evident in national structures. Due to the significance of national tourism administration (that occurs in the form of a specific ministry), its role to a significant degree is limited to basic activities in the scope of creating a suitable environment: policy, legislation, regulations, taxation (considering the division of DMO tasks presented by Wagenseil – 2010). National tourism organizations (NTO) in the majority of cases focus on activities in the scope of a) marketing: getting people to visit, and b) product management: exceeding expectations. The division of this type is noticeable in the majority of European states.

## CONCLUSIONS

The discussion presented above has demonstrated a fundamental influence of a specific legal and organizational formula on the range of DMOs tasks and responsibilities. It seems that the dependence of this type occurs practically on all the levels of state and local-government administration (i.e. national, regional and local). To a great extent, this situation results from specific legal provisions that regulate the activities of many DMOs. This means that some organizations frequently possess “top-down imposed” tasks, and they do not undertake a number of other tasks, or they cannot undertake these due to the fact that these tasks are “reserved” to other entities.

In view of the above, there is this essential question: how can this phenomenon be referred to the statements voiced by many scholars concerning an increasingly wider range of the tasks of modern DMOs? Is it that due to legal limitations of a certain type cause these organizations should be recognized as non-effective because they do not realize certain tasks? The author believes that one should not doom to defeat those entities which for some reasons do not realize those tasks that are traditionally assigned

to DMOs. Rather, it seems that in some cases we deal with a certain “supplementation” of individual entities. For example, if an NTO is traditionally responsible for operational functions (including tourist marketing), it should be assumed that an NTA is responsible for strategic functions. Thereby, both entities should be mutually complementary in the scope of DMO competences. What is most important is that no tasks remain which would not be realized by any of the organizations. The same situation should occur on regional and local levels. Indeed, in these cases one may refer to the so-called leaders in the area of the creation of competitive destinations. As in the case of Poland and other states, these tasks should be in the area of the responsibilities of regional or local tourist organizations. It is them that should realize the prevailing majority of the tasks of present-day DMOs. However, a certain group of tasks should remain (depending on the administrative system in a given country) the competence of other organizational structures which are responsible for tourism (e.g. regional or local authorities).

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