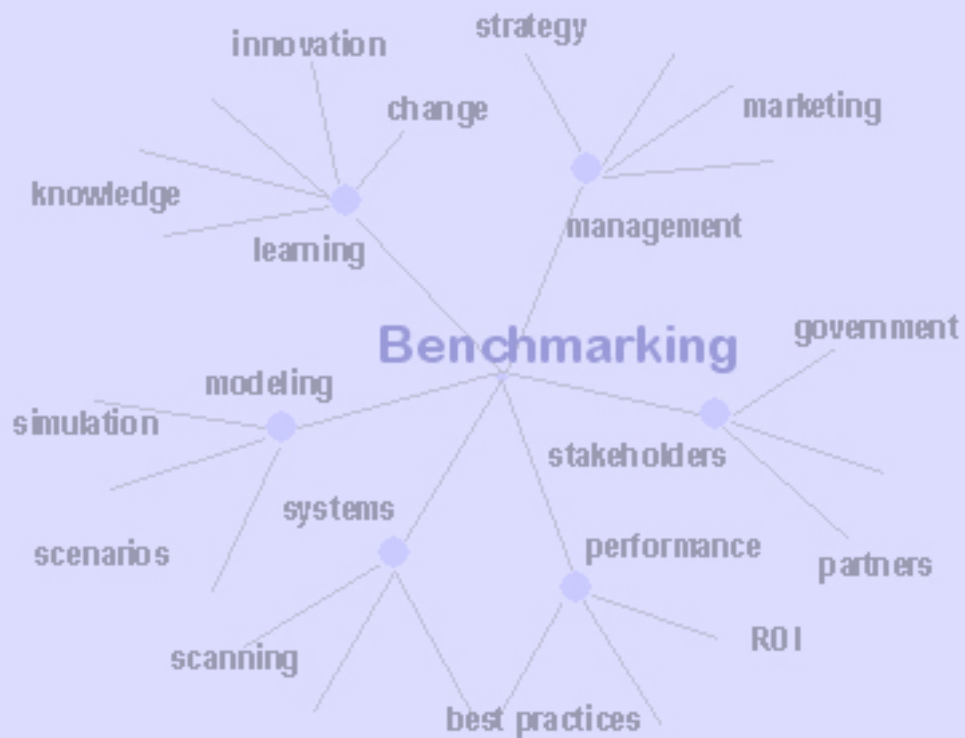




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Searching for Success: Learning through Benchmarking for Destination Management Organizations



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Preface

Tourism has grown to be one of the world's leading industries, providing the foundation for economic and social development worldwide. Information technology has played a crucial role in this growth as travelers seek to experience the world near and far. From the industry perspective information technology has enabled destination marketing organizations to reach out and communicate with unknown visitors. This technology has also created a new "world" where the focus is on change, adaptation, experimentation and on knowledge of individuals and communities. Travelers have begun to use this technology to explore the world and in doing so they learn, communicate, and build a more personalized environment. This rich, new, and interactive computer-mediated environment offers travelers the potential to expand their world well beyond what can be imagined today.

The profound effect information technology has had on travel provides the *raison d'être* for the National Laboratory for Tourism & eCommerce, Temple University. Specifically, NLT&C was established to provide a unique multi-disciplinary, multi-department, and multi-university environment in order to explore the nature and impact of technology as well as to evaluate and develop technology that can be used to provide and/or extend the travel experience. Situated in the School of Tourism and Hospitality Management, its interdisciplinary and collaborative framework is vital to successful research in the emerging and quickly changing areas related to tourism, communication, computer science, marketing, management, and technology. Thus, NLT&C offers a place for research to "stand" and provides many of the "levers" through a laboratory setting and, perhaps more importantly, a space for conversations that nurtures creativity and innovation.

Communication lies at the center of the collaborative approach and forms the basis for research that can initiate and sustain progress in both tourism and technology related fields. The series titled *Perspectives on Tourism & Technology* was established to communicate the ideas and findings of those associated with NLT&C and initiate conversations among and between researchers and industry professionals. The Series presents emerging ideas focusing on current issues and future developments in tourism and technology. By communicating results and ideas, we seek to extend our understanding of tourism and technology, challenge existing mindsets and stimulate further consideration of the role of tourism and technology in our society.

In light of the above goals, the current issue discusses how benchmarking can be used to facilitate learning at destination management organizations. It proposes an interesting perspective by which we can develop new tools and technologies that integrate modeling and simulation into benchmarking to stimulate creative thinking and idea generation.

On behalf of all who have contributed to the many NLT&C activities and the authors of this issue, in particular, I hope that you are stimulated by the ideas presented here and invite you to contribute to future issues.

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Searching for Success: Learning through Benchmarking for Destination Management Organizations

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Introduction

The tourism industry is undergoing dramatic changes due to the demographic shifts in consumer markets and fast development in technology and transportation. Within this context, it becomes imperative for tourism organizations to utilize new management tools and technologies in order to stay in the competition. In recent years, extensive research has been conducted in order to provide the industry with the means to collect and interpret information, share knowledge and support decision making. Among these management tools is benchmarking, which has been gaining substantial popularity among tourism academics and industry practitioners. Benchmarking has been described as an interpretive tool which can be used to:

- comparatively analyze destination market data;
- measure performance of tourist destinations; and,
- enable destinations to identify and learn the best practices to improve their competitive advantage.

The research outlined in this paper represents the application of the concept of benchmarking from general management science to the tourism domain. However, studies on benchmarking are limited in that many of them only provide idiosyncratic case-based guidelines. In particular, benchmarking in tourism has not reached the “state-of-art” stage due to: (1) the lack of a systems approach that allows the practice of

benchmarking to be based on a comprehensive understanding of the tourism system; and, (2) a missing linkage with organizational strategies that would enable organizations to translate the results of benchmarking results into innovative ideas and practices.

In this current issue, we aim to provide a different perspective by which destination management organizations (DMOs) can improve their practice of benchmarking. We first explain the concept of benchmarking and how benchmarking has been applied to the field of tourism. Then, we identify a few of the challenges facing benchmarking. We argue that the essence of benchmarking lies in its ability to facilitate DMOs to learn; especially, it enables the scenario-driven learning which cultivates new ideas and fosters organizational change. Finally, future development of benchmarking is discussed.

What is Benchmarking?

Originated from product quality management as a method of seeking best practices by comparing performances, applications of benchmarking have often been associated with a host of managerial activities ranging from quality control and process management to strategic planning. Essentially, benchmarking is a continuous systematic process for evaluating the products, services and work of organizations that are recognized as representing best practices for the purpose of organizational improvement (Camp, 1989).

Procedures of Benchmarking

A typical benchmarking practice involves several steps, usually in a “plan, do, check, and act” sequence. Camp (1989) outlined a ten-step process which encompasses four major stages including planning, analysis, action and review. Planning involves the selection of subject area, definition of the process, identification of potential benchmarking partners and possible data sources and data collection methods. Analysis includes

data collection, gap detection and determination, establishment of process differences and targeted future performance. The stage of taking actions involves communicating the results to management, adjusting goals and objectives, developing improvement plan, and implementing the plan. Finally, the review stage requires examination of the progress and calibration of the benchmarking model.

Types of Benchmarking

Benchmarking can be classified into the following seven types (Andersen & Pettersen, 1996). The first four types are classified by subjects, while the last three types are classified in terms of their goals. It is suggested that these different benchmarking approaches can be used in a combined manner to offer organizations with different values.

- **Internal Benchmarking** is a comparison made within an organization (e.g., between departments, units, branches, etc.).
 - **Competitive Benchmarking** is a comparison of an organization's performance with the best competitors that produce the same product or service.
 - **Functional Benchmarking** is about comparing technology and functions against other companies within the same industry or technological area.
 - **Generic Benchmarking** is a comparison of an organization's process against the best processes around, regardless of industry.
 - **Performance Benchmarking** is a comparison of performance measures in order to know how well one's organization compares to others.
 - **Process Benchmarking** is about comparing the process against the best practices in a particular business process in order to improve one's process.
- **Strategic Benchmarking** is a comparison of an organization's strategy to other competitors in order to change the strategic direction of the company.

Benchmarking - A Versatile Tool

Benchmarking is a versatile management tool and its essence is to encourage continuous learning to lift organizations to higher competitive levels. Benchmarking has the ability to facilitate a variety of interrelated managerial applications such as work process reengineering, performance measurement, strategy setting and refining and strategic planning (Watson, 1993; Bogan & English, 1994). By detecting performance gaps and consequentially identifying possible solutions, benchmarking catalyzes innovation and organizational change in a way that it exposes people to new approaches, systems, and procedures, and most importantly, fosters the cultivation of new ideas. In this respect, benchmarking demystifies organizational change by making it more tangible and less threatening.

Benchmarking in Tourism

Benchmarking in tourism has adapted many of the key aspects of benchmarking from the field of management and is characterized by the emphasis on improving performance across tourist destinations at different geographic levels (Kozak, 2002; Wöber, 2002; Kozak, 2004). Currently, benchmarking in tourism is predominated by two issues: performance measurement and the approach to selecting benchmarking partners.

Performance Measurement

Measurement has emerged as one of the key issues in destination benchmarking because there is a growing need to develop relevant and effective performance measures. Traditionally, visitor satisfaction has been used as a crucial indicator of destination performance. Recently, the International Association of Convention & Visitor Bureaus published a guideline for CVBs' internal

performance assessment, focusing on convention/travel trade show sales, marketing and communications, and return on investment (IACVB, 2004). With the steady growth of the Internet as the venue for destination marketing, both researchers and practitioners have begun to include the effectiveness of information and communication applications as the indicator for measuring the performance of destination organizations' Internet marketing strategies. However, to date no consensus has been reached in determining what constitutes relevant and effective performance measures for destinations and the performance measurement remains an open topic for both researchers and industry practitioners.

Selecting Benchmarking Partners

Benchmarking in tourism emphasizes the importance of selecting appropriate destinations as benchmarking partners. The major concern is to develop methods to identify comparable benchmarking partners based on a set of criteria to assess the appropriateness of the comparative analysis. Considering the complexity and idiosyncrasy of tourist destinations, this is believed to be crucial because it creates the common ground for comparison. Otherwise, the comparison will become meaningless and uninterpretable. Recently, a number of statistical tools such as mixture regression model and Data Envelopment Analysis (DEA) have been identified and developed to serve the purpose of selecting benchmarking partners (Wöber, 2002; Wöber & Fesenmaier, 2004).

Benchmarking as Learning

Perhaps the most prominent feature of benchmarking lies in its ability to enable organizations to learn; thus, different labels such as "fast learning", "vicarious learning", and "benchlearning" have been assigned to denote its learning dimension. Obviously, learning is a broader concept than benchmarking; that is,

benchmarking can be understood as a specific type of learning. However, within an organizational context, learning cannot be separated from the practice of benchmarking and, especially, organizations that actively engage themselves in learning often benefit substantially from learning from their own experiences and best practices of others. Thus, benchmarking serves as an essential and indispensable component of organizational learning.

The Learning Aspects

As a learning practice, benchmarking exhibits a number of unique characteristics. First, benchmarking is intentional and systematic learning in that thoughtful planning is usually an integral part and necessary step of benchmarking. Second, benchmarking involves learning from experience which enables a DMO to encode implications from its history into routines, procedures and strategies that guide their future behaviors. Third, the success of benchmarking requires commitment and continuous efforts from organizations. The notion of organizational adaptation suggests that benchmarking should not be seen as a one-off solution.

Scenario-Driven Benchmarking

Perhaps more important, benchmarking can be used to generate scenarios from which DMOs can learn and plan for the future. Solving problems locally is easy because it does not challenge the assumptions and theories held by good managers. Faced with a problem, they can simply apply a pre-defined solution. However, in times of rapid and unpredictable environmental changes as those taking place in the tourism industry, destination managers need to gain visions of the possible future scenarios by which they can formulate their strategies accordingly. Under such circumstances, incrementally learning from the past experience is considered insufficient and thus, scenario-driven learning through benchmarking must be called upon.

Benchmarking can be used as a tool to model and compute scenarios by which destination managers can better understand their current status or position as compared to competing destinations or other organizations.

According to Wack (1985), scenarios can be used to structure the future

“...scenario-driven benchmarking entails a philosophy different from regular learning.”

into predetermined but uncertain elements. The usefulness of scenarios lies in the exploration and expansion of these predetermined elements. Scenarios resulting from benchmarking can be seen as the discrepancies between the performance of a DMO and its benchmarks. Because different benchmarks (e.g., “the worst”, “the average”, and “the best” in class) can be identified, a DMO’s performance (no matter it is the marketing effectiveness, visitor satisfaction, or even destination competitiveness) can be compared against them to produce different scenarios. These scenarios will stimulate the so-called “what-if” thinking for destination managers and will “touch a chord” in their mind. For example, a simple but also challenging question to ask managers conducting benchmarking could be: “What if your visitor market has a significantly larger segment of senior consumers?” The resulting consequences of such a scenario could be profound and far-reaching and thus, potentially could have substantial impact on the DMO’s operations and strategies.

Thus, scenario-driven benchmarking entails a philosophy different from regular learning. First, scenario-driven benchmarking demands that destination managers understand not only their operational environment (such as visitor markets, stakeholder values, human resources, etc) but also the forces that are driving the destination systems. For example, what impact will the technological change have on a DMO’s visitor market and consequentially, its marketing strategies? This approach of systems thinking (Senge, 1990) lies in a shift of mind which enables

managers to see global interrelationships rather than linear correlations as well as the processes of change rather than snapshots. Second, scenario-driven benchmarking does not emphasize using a

model to best “fit” the reality in order to “predict” the future. Instead, the usefulness of

modeling is for challenging managers’ perceptions and judgment of the reality through the interaction between managers’ mental models and the scenarios. As Michael Schrage, author of the book *Serious Play*, puts, “we shape our models, and then our models shape us” (p. 11).

Fostering Change

As the outcome of benchmarking, change can be defined as thinking or doing something new or different and it describes the movement from one state to another. Organizational change at a DMO resulting from benchmarking is embodied in two dimensions that include both what has been learned and also the behavioral changes. Thus, through examining the outcomes of learning, the effectiveness of benchmarking can be evaluated.

Mental Models

First, benchmarking is a cognitive process for destination managers. Learning through benchmarking involves and results in the renewal of a number of cognitive aspects such as managers’ mental models, the shared vision among key decision makers, and individual’s personal skills, among which managers’ mental models are considered the most important measure of the effectiveness of learning. A mental model represents the cause-effect understanding of the environment. It facilitates and limits an individual’s ability to understand and interpret information about changes in the environment (Senge, 1990). Change in mental models resulting from benchmarking can include unlearning (i.e., old beliefs are discarded), adoption of new

concepts, and solidification of new mental models. Effective learning requires “re-designing” mental models so that shared visions, shared understandings, and new capacities for coordinated actions can be possibly established among destination managers. From the scenario-driven learning perspective, the renewal of managers’ mental models often comes from the “Aha!” effect generated by the scenario analysis.

Organizational Transformation

Second, as a direct result of benchmarking a DMO’s behavioral change is reflected in the reformation of its business procedures and strategies which will enable the organization to translate the “actionable knowledge” into tangible performance improvement. Competitive advantage can be established through leveraging the newly-gained knowledge and projecting and implementing the new visions and mental models at the strategic and operational level.

The long term outcome of continuous benchmarking includes an increase in the organization’s strategic capability to exploit, accumulate, create, and share new knowledge. Potentially, the knowledge gained through benchmarking will help a DMO transform its organizational structure and culture and turn itself into a strategy-focused “learning organization” (Senge, 1990; Kaplan & Norton, 1992). The desirable structural and cultural characteristics for a DMO should be more dynamic and flexible so that it can accommodate and address the changes in the environment.

Looking to the Future

Benchmarking is a relatively new concept in the field of tourism.

Despite the versatility of benchmarking as a management tool and the growing

“...the renewal of managers’ mental models often comes from the ‘aha’ effect generated by the scenario analysis.”

popularity in the field of tourism, the practice of benchmarking faces a number of challenges. Especially, there are many issues that tourism management organizations are wrestling with when it comes to the effective identification, adoption and transfer of best practices. Some of these issues can be highlighted through the following:

- How does a DMO know that ‘best practices’ are really the best?
- How does a DMO assess the relevance of best practices to its destination management/marketing operations?
- What is the best approach for cascading down best practices to support a DMO’s missions and goals?
- How does a DMO know that it is succeeding with best practices?
- How should a DMO deal with an organizational culture that resists change?

These issues, if remaining unsolved, could lead to the misunderstanding of benchmarking and thus, hamper the successful implementation of benchmarking. For example, a tourism organization may play down the importance of benchmarking by arguing that ‘best practices’ are not transferable due to the idiosyncratic nature of tourist destinations. However, this has no justification. One can look at the example of Xerox using L.L. Bean as their benchmark (Bogan & English, 1994). Although both companies did not have much in common, Xerox still identified a similar process to which they could apply benchmarking. Thus, the fundamental issue for benchmarking is not whether the best practices can be identified and adopted; more importantly, the usefulness of benchmarking relies on a DMO’s

ability to employ the practice of benchmarking to challenge their

existing assumptions and beliefs about the world they are

operating in and develop flexible strategies to cope with the environmental change. Benchmarking is essentially a practice of identifying adaptive strategies to sustain the competition. Failing to recognize this may largely limit a DMO's ability to take full advantage of benchmarking. Therefore, benchmarking practice at DMOs should aim at addressing these challenges in order to bring out the prowess of this versatile management tool.

As a practice of searching for success, benchmarking enables destination management organizations to develop the capacity to adapt to the fast-changing environment. In order to address the existing limitations of benchmarking in tourism, we propose that the essence of benchmarking lies in its ability to facilitate systematic, continuous and scenario-driven learning and thus, to foster organizational change. Especially, its scenario-driven capability enables DMOs to build models to test their strategies, discover flaws in thinking, and understand leverage points within the complex destination systems they have been called upon to manage.

Based on this understanding, tools that can support the scenario-driven benchmarking need to be developed in order to improve this practice. At the bottom line, such tools should allow destination managers to build models to simulate the destination management systems and, at the same time, create a user-friendly learning environment to make the formal modeling process accessible. Specifically, this environment should allow managers to 1) investigate the underlying assumptions; 2) formulate alternative strategies and policies; and, 3) evaluating the outcomes of these strategies and policies. Thus, major work lies ahead to create and deliver such a system that truly supports scenario-driven benchmarking and provides a meaningful technological platform for destination managers to learn and innovate. 🌐

Recommended Readings

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Other Readings in this Series

1. *"Forces Influencing Incentive Travel Businesses"* by Sandro Formica and Tanvi Kothari.
2. *"Managing Change: Performance Measurement for Destination Management Organizations"* by Tanvi Kothari and Daniel Fesenmaier.
3. *"eSAFE: An Online Knowledge Based System for Safe Festivals & Events"* by Clark Hu and Pradeep Racherla.

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