

## **The strategic role of knowledge in the management of Tourism Destinations Organizations**

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### **Introduction**

In the last few years the idea is emerged that the resources of a company are the basis of its competitive strategy (Porter 1990) and that “knowledge” and competencies are one of the most important strategic resources (Grant, 1996).

A full definition of what “knowledge” is goes well beyond the objective of this paper, the whole history of western philosophy may be seen as an attempt to answer the questions posed almost 2500 years ago by Plato in *Theaetetus*: “What is knowledge? Can we answer that question?”.

From a general point of view, we are here less interested in defining knowledge than in examining what are its role and importance. The focus is not on discovery of “truth”, but on the effective action and performance.

For the following discussion, therefore, we may limit ourselves to use Plato’s preliminary definition of “true belief with a reason” and consider knowledge as a *justified belief that increases an entity’s capacity for effective action* (Nonaka, 1994). In this meaning the knowledge corpus is a sort of “by-product” of the processing of data and information that are filtered, weighted, evaluated and classified by any organization, that is: “*knowledge is information that changes something or somebody - either by becoming grounds for actions, or by making an individual (or an institution) capable of different or more effective action*” (Drucker, 1989).

Nowadays it is almost a commonplace to say that the whole economy may be seen as an information and a network economy, in essence a *knowledge-based information economy* (OECD 1995).

Being perhaps the largest sector of the world’s economy<sup>1</sup> it is no surprise that the tourism sector is strongly influenced by these concepts. For tourism as a service industry, information is one of

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<sup>1</sup> According to WTTC (World Travel and Tourism Commission, [www.wttc.org](http://www.wttc.org)) data, in 2004 it is expected to generate more than 10% of world’s GDP (US \$ 5,500 billion), 8% of employment (more that 200 million people) and 12% of total exports.

the most important quality parameters to support actions. In few other areas the generation, gathering, processing, application, and communication of information are as important for day-to-day operation as they are for the travel and tourism industry. Moreover, contemporary Information and Communication Technologies (ICT) allow to reconfigure the entire distribution system in the tourism industry. It is a possible instrument to increase efficiency, reduce costs, and improve customer service. It is changing the value chains and relations of the whole industry by enabling intermediation and disintermediation at the same time, in other words the shape and the size of the social network of tourism actors is a crucial part.

This is particularly true if we consider the role and the functions of a “tourism destination”. The number and the type of the organizations involved: public institutions, private companies, individual professionals, all striving to achieve a balanced and sustainable economic development of a territory, poses a great pressure on the entity managing the destination (Destination Management Organization: DMO). The main task in this “management” activity involves fundamentally a flow of information from the product providers either directly to the customers or through trade agents.

The intangible factor of knowledge may lead to strong advantage in competition mainly in service

providing industries, and therefore especially in tourism. The crucial aspects are the existing internal volume of knowledge and the possible advantages that may derive from it, as well as the additions of new knowledge items. Internal knowledge consists of parts of public and communicated knowledge from employees, from experiences and from official rules plus the general “culture of the organisation”. That is to say: the overall knowledge of an organisation is not only the sum of the individual contributions; to gain benefits from individual knowledge it has to be fully integrated into the specific environment of the organisation (Bönke et al., 2001).

In this respect the value of “organization’s knowledge” is often described as “intellectual or social capital”; and it is generally regarded as the difference between the organization book price (how accountants value the organization) and its market value (how the market values the organization).

## **Knowledge management**

The transition of most developing and developed nations to knowledge-based information economies has resulted in an increasing awareness of knowledge as a key lever for growth and performance. However, consistent benefits can only be achieved if organizations are ready to

realize that an increase in their market value is obtained by applying newer methodologies, techniques and tools to effectively manage this knowledge. A suitable management of knowledge can lead to unprecedented breakthroughs in organizational accomplishments, business and social value. This is exactly matching the real objectives of a tourist destination management organization.

Knowledge management has received extensive press over the last few years, and offers substantial promise for long-term gains in competitiveness and organizational effectiveness. Due to both hype and interest, the field has expanded greatly, making it sometimes difficult to understand what it is, what is worthwhile, and understanding how it might benefit organizations and their overall business.

Knowledge management (KM) can be broadly defined as a collection of disciplines, technologies and practices embedded in an information infrastructure that supports creation, sharing and leverage of intellectual assets – tangible and intangible – in an organisation to achieve business goals.

In essence the main steps of a KM process can be identified as:

- generating new knowledge;
- accessing valuable knowledge from outside sources;
- using accessible knowledge in decision making;
- embedding knowledge in processes, products and/or services;
- representing knowledge;
- facilitating knowledge growth;
- transferring existing knowledge to all parts of the organization;
- measuring the value of knowledge assets and the impact of the management process.

It is obvious that, in this area, the recent advances of ICT's are of paramount importance.

Speaking of KM today mainly means speaking of its technological components:

- a *documents repository*: essentially a database containing a large amount of digital objects (documents, texts, pictures, notes, etc.), usually called knowledge base (KB);
- a *mapping layer*: aiming at virtualizing the semantic content of the knowledge base. Its main component is a keyword system. Every item contained in the repository has an associated set of keywords grouped in classes to ease searching. The taxonomy is defined from the specific context point of view. The keywords give added value with

respect to basic full-text searching: they are standardized, summarize only significant contents and denote concepts not necessarily explicit in documents. Basically they allow to resolve semantic ambiguities.

- an *access system*: providing browsing and “navigation” tools as well as sophisticated searching capabilities in order to share the KB contents and to allow the feeding of new items, the setting of their attributes (classification, keywords, references and cross linking) and the management of permissions and ownership.

Even if the technological components are probably the main elements of a KM system, it must be emphasized here that they cannot be the only elements of a “knowledge strategy”.

Knowledge management binds technology and culture, and requires specific competencies. The single most important task is to understand the needs, the strategy and the cultural and social environment. For a DMO this is of crucial worth; technology is expensive (not only from an economic point of view) and bad choices may affect the final results and may risk to prevent further chances for deploying better programs.

A good example is the one quoted by Zack (1999:82).

Shahar Harel of the Goddard Space Flight Center popularized the story of how during the 1960s, NASA decided it needed a ball point pen to write in the zero gravity environment of its space capsules. After considerable research and development, the Astronaut Pen was developed at a cost of about \$1 million. The pen worked well in space and enjoyed modest success as a novelty item back on earth.

The Soviet Union, faced with the same problem, *used a pencil*.

Effectively applying knowledge to create innovative solutions, is not sufficient by itself. Creating and applying knowledge may merely add time and cost unless it produces something of distinct value to the marketplace or to the organization. Moreover it has been shown (Nardi & O’Day, 1999) that technology programs that ignore the need for significant cultural change, result in systems that merely reinforce the *status quo*.

There are fundamentally two ways to increase a destination competitive advantage: lower costs or

increase differentiation. Any analytical application that increases the understanding of costs, products or services is a strategic application, one which increases the competitive advantage.

Technology provides part of the answer, certainly. But not all of it.

Our ever-changing environment demands a major attitude overhaul: the focus must be on leveraging the entrepreneurial spirit of the community of the actors and keeping the management

structure agile to effectively meet the challenges of today dynamical economic and social environment.

The proper use of technology, as of all tools, provides an extension of the powers of the human being (*THE* elements of an economic system), enabling to develop new skills and new systems. The universal validity of the physical law of “least work” leads us to welcome any tool which may relieve of hard work, provided that the tool will do the work as well as we can, and preferably better. This has not always been the case with some applications of new information technologies.

The challenge of the Information Age is to secure the maximum exploitation of all new media and new technology keeping in mind that true knowledge sharing must start with the organization, with systems reflecting the organizational requirements.

### **Network effects**

Knowledge flows along existing pathways in organisations and among the elements of the social and economic system. If we want to understand how to improve the flow of knowledge, we need to understand those pathways.

More, even if we question Marshall McLuhan (1964) assertion that “the medium is the message”, we must agree that at present time the world has become a “global village”. If we believe that knowledge has a value, that it is like money, then to be of value it must circulate, and only in circulating it can increase in quantity and in value.

The managing of knowledge through systematic sharing is assuming a larger role in organizations around the world, especially in those involved in managing tourist destinations.

The idea that knowledge should be shared is obviously not new. The pursuit of any significant human activity, including economic development, typically leads to the acquisition by those involved of know-how and expertise as to how the activity may be successfully conducted.

The understanding of this importance is now coupled with discoveries and research in the field of the network sciences, which provide mathematical evidence that there are general physical laws that rule the structure, the evolution and the characteristics of networks of all types – mechanical, biological, electronic and human (Albert & Barabási, 2002; Newman, 2003). This research shows that the topology of a network is not just a curiosity, but a predictable property of some types of them, that it may greatly affect the overall dynamical behaviour and explain and control a number of processes from the diffusion of ideas to the robustness to external attacks to the optimization of the relationships among the network components.

These analysis techniques are considered today a diagnostic method for collecting and analysing data about the patterns of relationships among people in groups or among organizations.

Applied to knowledge management, they can identify the patterns of interaction inside an enterprise or towards the external components of the economic and social system, the number and qualities of groups, possible information bottlenecks and knowledge brokers and facilitators.

They provide a view into the network of relationships that gives knowledge managers leverage to:

- improve the flow of knowledge and information;
- acknowledge the thought leaders and key information brokers (and bottlenecks);
- target opportunities where increased knowledge flow will have the most impact on business activities.

## **Conclusions**

Tourism destinations are facing nowadays the big challenges posed by the liberalization and globalization of markets, by the new consciousness of tourists and travellers and by the need to differentiate themselves in a strongly competitive environment in order to meet the objectives of a sustainable and balanced development of their local communities.

For the intrinsic nature of the tourism sector one of the best tool available is an effective management of the information and knowledge assets both towards the group of actors, to increase quality levels of resources and services offered, and towards the external clients (tourists and travellers) to communicate own peculiarities and to attract them.

The strategic role of knowledge creation, management and sharing is of crucial importance today and will be even more imperative in the future.

Unfortunately no good examples exist yet in the tourism industry but a look at the result obtained by other types of organizations (mainly in the service sector) can easily convince that the returns (tangible and intangible) of the adoption of an adequate knowledge management strategy can be of great value (see for example the *CIO Knowledge Management Research Center* website at: <http://www.cio.com/research/knowledge/index.html>).

In present times a tourist destination management organization has two options. It must either align its strategy with its existing knowledge resources and learning capabilities, or initiate knowledge management and learning programs to enhance those resources and capabilities to support its strategy in a suitable way.

Strategically managing knowledge requires identifying what knowledge matters most to an organization and adopting the right methodologies and technologies. Only by making this link knowledge management efforts can provide long-term value.

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