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Synergy as a Value Generator in Tourism

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SYNERGY AS A VALUE GENERATOR IN TOURISM

Abstract

Value in tourism is a result category which is related to many factors. Hence, value management that aims at stimulating and creating the processes of value growth cannot be regarded as a one-time action. It should rather be of a continuous character. It is consistent with the expectations of all stakeholders of regional tourism economy who are keen on continuous growth of value of tourism enterprises and consequently tourist regions. However, to make the process of growth of value proceed in accordance with the expectations of all stakeholders, it should be constantly subjected to positive stimulants of processes of change in the regional tourism economy.

The article presents the basic and classified stimulators that are frequently referred to as carriers of generators of value (or value drivers) in tourism, and it identifies its one application which in the management process of the Innovation in Tourism Value Chain (ITVC), helps improve efficiency of the tourism region aiming at widely understood value growth in tourism.

Keywords: synergy, tourism value chain

Introduction

In recent decades tourism has been playing an increasingly important role for both businesses and citizens. According to the European Commission, over

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5% of gross domestic product (GDP) of the European Union is derived from tourism.¹ 2.4 million people are employed in the tourism accommodation sector in the EU countries while the total employment in the tourism sector within the European Union is estimated at 12–14 million.² That is how tourism and its basic benefits are most often characterized. The added value of tourism is measured mainly by financial and economic aspect in terms of finances and economy, although it should be considered more broadly. Added value means achieving the desired goals and objectives with the least financial, social and organizational expenditure. In such a sense of added value, an important part is played by the criterion of innovation. Innovative elements are those that add new solutions or methods to the existing practice: innovation in this sense means an increase in effectiveness through better use of resources/capital/opportunities, and hence the concept of added value and the theory of synergy are the way to use them more efficiently. Optimization of efficiency of actions may aim to achieve greater results with the same expenditure or to achieve planned results with less expenditure.

The concept of added value is quite well prepared for businesses. Thus, in the strictly economic meaning, added value is a profit including total cost of the capital used in the business organization. EVA, the abbreviation standing for the economic value added is essentially a measure of operating results which, contrary to most other ones, deducts the total costs of capital invested by the company from its profits. In the concept of EVA the cost of capital is what the economists call the cost of lost benefits (opportunity cost). It is a rate of return expected by investors investing their money in the shares of other companies and bonds of comparable risk, which is something they give up as the owners of securities of a particular company. Similarly to borrowers who demand to be given receivable interest, stockholders demand to be given a minimum accepted rate of return from the money they put on risk. Economic value added is in a sense a profit calculated from the shareholders' point of view. According to Peter Drucker, economic value added is based on the principle saying that a profit, i.e. the money that is left for home equity servicing, is not a profit at all. A business incurs losses unless it earns a sum of money that surpasses its capital

¹ http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=5257&userservice_id=1&request.id=0.

² http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Tourism_trends/eu.

costs. And the fact that it pays taxes as if it achieves real profits does not really matter.³ The definition alone shows that even the economic value added should not be considered in a much broader context than it is in practice.

The concept of value added can be also referred to: customers, employees, shareholders, members of organizations excluding their owners or managers, attorneys and the whole society.⁴ Such a broad understanding of added value is important particularly from the point of view of tourism, not only for tourism enterprises, but also for the regional tourism economy.

1. Value generations

In addition to the theoretical and narrow understanding of a *value* and *added value* in particular, practical knowledge associated with identification and diagnosis of the sources of added value is essential. The knowledge is largely included in the knowledge of the factors that generate an added value and it is both theoretical and practical problem which is basically well described for businesses and their groups. The literature most often mentions the following value generators:⁵

- growth rate of sales revenue,
- operating margin,
- effective tax rate,
- investment in working capital,
- investment in fixed assets,
- cost of capital,
- duration of competitive advantage.

A slightly different concept of value generators is suggested by B. Nogalski, J. Rybicki and H. Marcinkiewicz who present a process approach to the issue. The authors present the view that the role of value drivers can be successfully played by various management concepts, including TQM, Just in Time, Lean Thinking, Reengineering, Lean Management, Lean Production and Outsourcing.

³ P. Drucker, *The Information Executives Truly Need*, "Harvard Business Review 73", 1/1995, pp. 54–62.

⁴ J. Brillman, *Nowoczesne koncepcje i metody zarządzania*, PWE, Warszawa 2002, p. 38.

⁵ E. Nowaka (ed.), *Strategiczna rachunkowość zarządcza*, PWE, Warszawa 2008, p. 55.

These concepts being effectively connected by the managerial staff form the basis of a coherent management system which allows you to generate values.⁶

Currently, economic practice, however, shows that creation of a value is largely dependent upon the possessed intangible assets that enable to identify the sources of competitive advantage. B. Hoag and Cary L. Cooper pay attention to the multifaceted perception of the values. They consider it a basis of interactive relations between an enterprise and its environment. Thus, we can speak about the values that are subject to the processes of exchange and are the basis for balancing mutual benefits for the owners, customers, managers, employees and other stakeholders.⁷ These values can be described as intellectual asset divided into human capital, organizational one and customers, etc. Classification of factors that include such values divides them into four groups:⁸

1. customers and markets:
 - satisfaction and a number of existing customers,
 - number of newly acquired customers, costs of acquiring,
 - product or brand image,
 - distribution channels;
2. employment and business management:
 - qualifications and employees performance, number and structure of employees,
 - managers' and supervisory board members' remuneration,
 - knowledge management,
 - quality of management;
3. suppliers and supply markets:
 - volume of supplies, changes in market prices, savings in the field,
 - solid ties with allies and the number of new compounds,
 - dependence on individual suppliers;

⁶ B. Nogalski, J.M. Rybicki, H. Marcinkiewicz, *Zarządzanie antykrzysowe jako value driver*, in: *Wartość przedsiębiorstwa – z teorii i praktyki zarządzania*, J. Duraja (ed.), Wydawnictwo Naukowe Novum, Płock–Łódź 2004, p. 45.

⁷ B. Hoag, C.L. Cooper, *Managing value-based organizations: it's not what you think*, Edward Elgar Publishing Limited, Northampton 2006, pp. 74–89.

⁸ W. Skoczylas (ed.), *Determinanty i modele wartości przedsiębiorstw*, PWE, Warszawa 2007, pp. 116–205.

4. processes and innovations:
 - quality of products and processes,
 - investment in progress and development,
 - turnaround time, service response,
 - number of both existing and new patents and licenses,
 - revenues from the sale of patents, products, the share of sales.

However, the analysis of the above-mentioned generators and an attempt to relate them to tourism, in the sense of spatial arrangements, proved that they significantly restrict the image of a generated value. Therefore, the research that has been conducted by the Department of Management in Tourism for 10 years, has been focused on the knowledge-based regional tourism economy (KBRTE). As it was agreed in the course of the study, tourism businesses are the economic background and foundation of the tourism sector and at the same time comprise a basic element of KBRTE while its effectiveness is not affected by individual and isolated tourism businesses or individual entities of the regional environment. Instead, it is a result of cooperation of all stakeholders, i.e. tourism enterprises, units of state and local government, local business, other units of the business environment and local community in the field of shaping global knowledge-based tourism products. Thus, tourism businesses and operators of their regional environment as well as the local community and tourists are the value drivers of regional tourism. As it resulted from the diagnostic tests based on the model presented in Figure 1, effective generation of values in regional tourism is possible through collaboration, co-creation and cooperation of tourism entrepreneurs with the actors of their environment, local community and tourists.⁹ Also endogenous and exogenous generators of value were defined. Endogenous generators of value, according to tourism businesses, are: knowledge management, innovation and the applied information technologies, while the exogenous ones are: financial support and availability of qualified staff. Consequently, the adopted research orientation included two identified classes of factors limiting the effective development of values in tourism that affect competitiveness and efficiency of KBRTE called internal and external levers. The internal levers were measured by assessing the level of competence gap in tourism enterprises dividing them

⁹ The presented study [projects KBN No. 2 H02D 033 25, Kraków, 2006 i NN 115 373 033, Kraków, 2010] did not include all mentioned stakeholders on the grounds of formal, factual and financial limitations.

into individual value generators. The external levers, however, were measured by assessing the level of inertia of the selected entities of the local administrative and economic government.

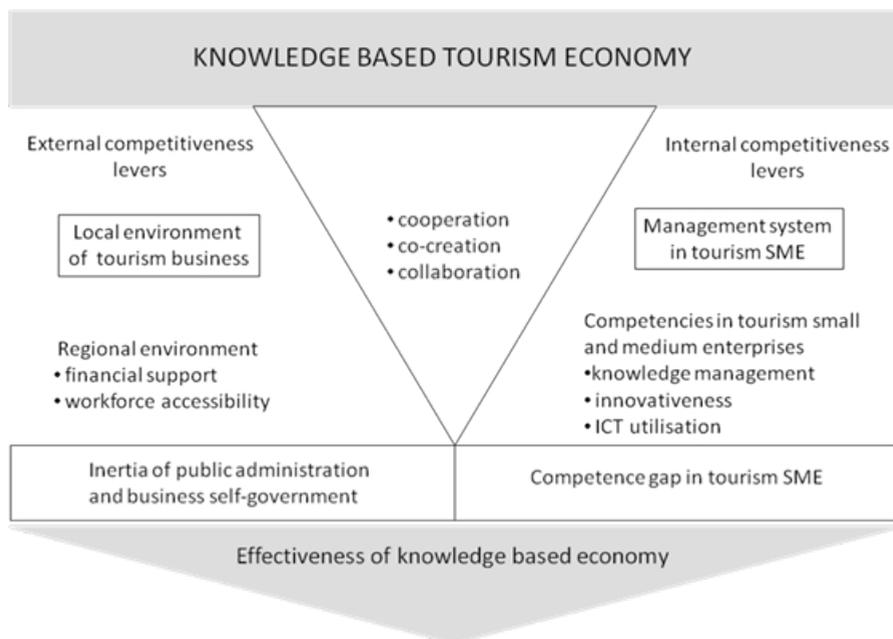


Fig. 1. The model of monitoring of tourism sector competitive potential in knowledge based economy

Source: elaborated by M. Bednarczyk.

Synthetic evaluation of regional effectiveness of KBRTE was made on the basis of measurement and assessment of the level of cooperation, co-creation and collaboration of local administration with tourism enterprises. It is atypical and uncommon estimation of regional tourism effectiveness. The KBRTE as a basis of effectiveness estimation allowed to set the levels of inertia¹⁰ of local administrative and economic units in terms of ability to generate synergies in the elaborated regional KBRTE, which turned out to be very low.

¹⁰ The mentioned studies did not use explicit term of “synergy” and “synergistic effect”. Instead, the ontological fundamentals were based on the concept and theory of synergy included in the studies on management.

Almost a half of the respondents pointed to the lack of support from the local governments and no relevant changes in this area in the past few years.¹¹

2. The nature of synergy in tourism

The term synergy comes from the Greek word synergos which means “working together”. It is commonly used as a synonym for “cooperation”. According to the creator of Polish praxeology T. Kotarbiński, synergy can occur only when the components, when working together, achieve more than when working on an individual basis. Thus, referring the term to tourism, one can say that synergy determines the ability of two or more entities to produce a bigger value by working together than each of them could produce individually. Therefore, H. Piekarczyk points out a synergistic effect as a criterion for assessing success, arguing that in today’s economy the companies that operate carefully and are little flexible have limited capacity to cope with competition. In order to be able to function in the dynamically developing tourism market, both businesses and regions need to change the ways of management, management of tangible and intangible resources, put new configurations, continually adapt their offers to the market requirements. They may in this case choose from different categories and types of synergy.

A. Damodaran identifies two main kinds of synergy: operational and financial.¹²

However, when considering activity of business entities, synergy is divided into:¹³

- trade,
- operational,
- investment, management system.

¹¹ M. Najda-Janoszka, *Innovative activity of small tourist enterprises – cooperating with local institutional partners*, “Journal of Entrepreneurship, Management and Innovation” 2013, Vol. 9, No. 1, pp. 17–32.

¹² A. Damodaran, *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset*, Wiley, 2012, New York, pp. 707–723.

¹³ P.C. Ensign, *Interrelationships and horizontal strategy to achieve synergy and competitive advantage in the diversified firm*, “Management Decision” 1998, No. 10, pp. 657–667.

Still, according to H. Piekarz, synergy is divided into:¹⁴

- social,
- technical and production,
- economic,
- organizational.

However, adopting the perspective of processes carried out in tourism economy, one can speak about different levels of synergy.¹⁵ In the inter-organizational aspect, i.e. within the tourism enterprises, achieving synergy effects is associated with workers' participation in the organizational structure and processes, and it refers to both top management and line workers. In this case, synergy results from the division of labour and concentration of intellectual capital. The other level, i.e. the interorganizational one, includes the effects of cooperation between the entities with no capital or organizational or legal ties.¹⁶ The first case refers to the endogenous aspect of synergy, while the other one refers to the exogenous one.

In the next stage of the research conducted by the Team of the Department of Management in Tourism at the Jagiellonian University, the attention was paid to exogenous aspect of synergy in development of the Innovation in Tourism Value Chain (ITVC). It was assumed the innovative chain of added value of regional tourism covers the ability to innovations in tourism businesses (internal innovation value chain) operating in certain regional and local conditions (external innovation chain). Therefore, three perspectives, i.e. efficiency in tourism management, quality of local business environment (institutional and local environment) and local platforms collaborating with one another in order to generate synergy and multiply its synergistic effect¹⁷ appear in the created model of regional tourism innovations.

¹⁴ H. Piekarz, *Efekt organizacyjny jako kryterium oceny systemu wytwórczego*, in: *Zeszyty Naukowe / Akademia Ekonomiczna w Krakowie. Seria Specjalna: Monografie*, nr 102, AE w Krakowie, Kraków 1991; P. and H. Piekarz, *Efekt synergiczny jako kryterium sukcesu przedsiębiorstwa*, in: *W kręgu zarządzania: spojrzenie multidyscyplinarne*, T. Borkowski, A. Marcinkowski, A. Oherow-Urbaniac (eds.), Uniwersytet Jagielloński, Kraków 2000, pp. 161–173.

¹⁵ In connection with the enterprises and their capital groups compare J. Chacham, *Synergia i wartość w strukturach kapitałowych. Identyfikacja, analiza, zarządzanie*, DIFIN, Warszawa 2012, p. 73 and there literature citation.

¹⁶ J. Chacham, *Synergia i wartość w strukturach kapitałowych. Identyfikacja, analiza, zarządzanie*, DIFIN, Warszawa 2012, p. 72.

¹⁷ M. Bendarczyk, *Model zintegrowanego zarządzania łańcuchem wartości turystyki na poziomie regionu*, in: *Innowacje w turystyce. Regionalna przestrzeń współpracy w makroregionie południowym*, M. Bednarczyk, M. Najda-Janoszka (eds.), CeDeWu, Warszawa 2014, p. 55–65.

The accepted model of the integrated innovative value chain of regional tourism is shown in Figure 2. It was attempted to analyze it diagnostically and build the basis of the integrated management ITVC at the regional level. The results of the study allowed to confirm the thesis claiming that in the regional innovation chain the added value of regional tourism is a result of cooperation between regional key stakeholders at all stages of the innovation process, i.e. generation of new ideas, development of new solutions and commercialization of these.¹⁸ Moreover, the results of the study lead to the conclusion that synergy is a major generator of added value in tourism.

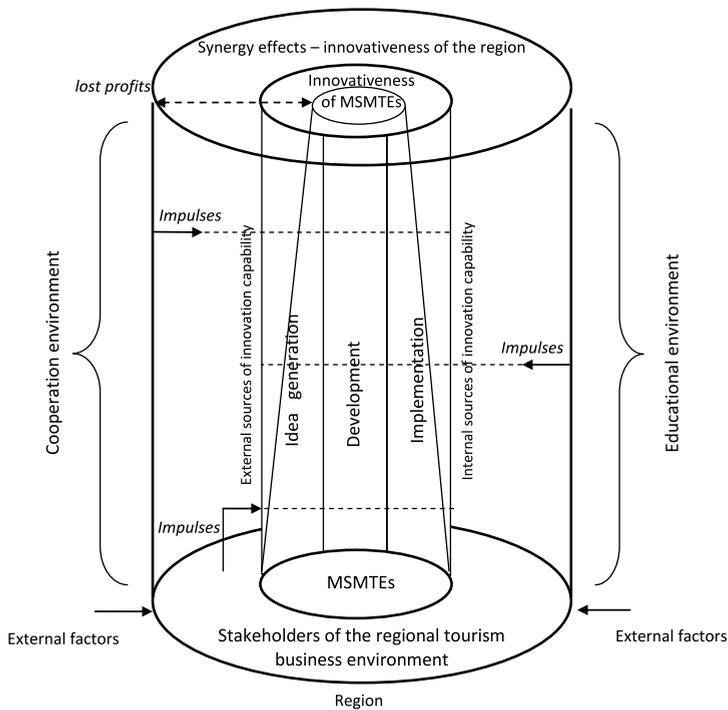


Fig. 2. Model of the study on the integrated innovation value chain

Source: M. Bendarczyk, *Model zintegrowanego zarządzania łańcuchem wartości turystyki na poziomie regionu*, in: *Innowacje w turystyce. Regionalna przestrzeń współpracy w makroregionie południowym*, M. Bendarczyk, M. Najda-Janoszka (eds.), CeDeWu, Warszawa 2014, p. 57.

¹⁸ M. Bendarczyk, *Podsumowanie*, in: *Innowacje w turystyce. Regionalna przestrzeń współpracy w makroregionie południowym*, M. Bendarczyk, M. Najda-Janoszka (eds.), CeDeWu, Warszawa 2014, pp. 223–226.

According to the model presented in Figure 2, the effect of synergy arises from the increasing competence of cooperation between all stakeholders of ITVC. However, in the opposite case one has to deal with the phenomenon of dissynergy, i.e. negative synergy. Dissynergy means lost benefits resulting from the redundant opportunities of cooperation which allows to create new added value in regional tourism. In practice, one can find examples of not only lost benefits. Examples of financial dissynergy when public money has been spent by municipal offices on tourism products that were not accepted by tourists are particularly negatively perceived. A similar negative effect called social dissynergy is created after tourism products harmful for natural or cultural environment are introduced. In that case, the quality of life of local community that is a stakeholder of regional tourism economy is decreased. Therefore, cooperation and collaboration of all stakeholders create conditions for added value by the same mechanism of synergy, i.e. formation of extra quality which is not a sum of values contributed by individual stakeholders of regional tourism economy.

In tourism, the starting point for cooperation of many actors in order to cumulate their potential and use the effects of synergy is high level of tourism attractiveness of a given area measured by the number of natural attractions (landscape, climate, terrain, natural monuments, etc.) and anthropogenic ones, that is the ones resulting from human activity (architecture, folklore, cuisine, accommodation and lifestyle of local communities, etc.). Large accumulation of such interest in one area affects creation and development of tourism regions. Thus, in such regions cooperation between local and international tourism business and the operators of its institutional, social and educational environment is developed in the easiest way. The phenomenon of synergy can also become a generator of values in tourism in the regions that are found not so attractive for tourists, which may become a great developmental opportunity.

Tourism is a sector where it is possible to use the theory of synergy. Specificity of a tourism product which includes tourism attractiveness, brand of the region, its infrastructure and access to qualified personnel, makes it easier for all those interested in tourism development of the region to cooperate rather than act independently. The tourism value chain shows the need for interaction between all those interested in development of the region.¹⁹ An increase

¹⁹ W. Wierzyński, *Klastering w branży turystycznej*, http://www.pi.gov.pl/parp/chapter_86196.asp?soid=E565ED9AD2444DDA96C2D1D3021D8D7A.

in a number of positive impressions from staying in the region by offering a comprehensive tourism offer (added value for a tourist) as well as an increase in efficiency of each actor involved may become a result of such joint actions.

However, as demonstrated by the results of the study conducted by the Team of the Department of Management in Tourism at the Jagiellonian University, collaboration between the key stakeholder is not performed at a satisfactory level. In order to keep up with constant changes in tourists expectations, technical and technological progress and other circumstances, it is necessary to be flexible and able to modify their offer permanently, to care to obtain higher quality in the activities of all stakeholders. Thus, generation and exploitation of the effects of synergy become an instrument for coping with these challenges for both companies and entire regions that are interested in development of effective tourism.

Conclusion

Studies on possibilities to generate synergy and to multiply its synergistic effect in shaping an added value in regional tourism economy are not just a trend or whim of the researchers. The literature on this topic is rather limited to the business sector or groups. After M. Potter "(...) a failure of synergy resulted from inability of businesses to understand and implement it and was not a result of a fundamental failure of the concept alone"²⁰ In practice, it may help decision-makers to, e.g., implement new effective organizational solutions or innovative technologies of the services provided in the field of innovation. A primary purpose of using the phenomenon of synergy should be creation and strengthening of cooperation and cooperative behaviours oriented towards developmental goals of tourism regions.

Thus, it is necessary to identify the sources of synergy and apply the criteria of synergy in development of effective tourism economy.

²⁰ J. Chacham, *Synergia i wartość w strukturach kapitałowych. Identyfikacja, analiza, zarządzanie*, DIFIN, Warszawa 2012, p. 73.

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SYNERGIA JAKO GENERATOR WARTOŚCI W TURYSTYCE**Streszczenie**

Wartość w turystyce jest kategorią wynikową, pozostającą w relacji z wieloma czynnikami. Stąd też zarządzanie wartością mające na celu stymulowanie i kreowanie procesów wzrostu wartości nie może być postrzegane jako działanie jednorazowe lecz mające charakter ciągły. Jest to zbieżne z oczekiwaniami wszystkich interesariuszy regionalnej gospodarki turystycznej, którzy są zainteresowani stałym wzrostem wartości przedsiębiorstw turystycznych a w konsekwencji regionów turystycznych. Jednak aby proces wzrostu wartości postępował zgodnie z oczekiwaniami wszystkich zainteresowanych, powinien być poddany na stałe działaniu pozytywnych stymulatorów procesów zmian w regionalnej gospodarce turystycznej.

W artykule sklasyfikowano podstawowe stymulanty, często nazywane nośnikami lub generatorami wartości (ang. value drivers) w turystyce oraz wyodrębniono jeden z nich którego wykorzystanie w procesie zarządzania Innowacyjnym Łańcuchu Wartości Turystyki (IŁWT) przyczynia się do poprawy efektywności funkcjonowania regionu turystycznego ukierunkowanego na wzrost szeroko rozumianej wartości w turystyce.

Słowa kluczowe: synergia, łańcuch wartości turystyki