

## **Current situation in management of tourism in Slovakia**

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**Abstract:** For the European Union, as well as for other countries in the world, tourism represents an important economic activity based on a wide range of products, attractions and destinations. Cross-sectorial character of tourism industry significantly determines the system of management which must be coordinated at various horizontal and vertical levels. From the vertical perspective, the organizational structure of tourism in Slovakia can be divided into three levels – national, regional and local. Concerning horizontal structure, the system is divided into public sector (state administration and self-government) and private sector (third sector and the business sector). Key institutions in tourism development are the Ministry of Transport, Construction and Regional Development of the Slovak Republic, Slovak Tourist Board, self-governing regions and municipalities, regional and local tourism associations and professional associations and societies. Slovakia finds itself in a rather complicated situation in the international tourism market. The country is now facing some major economic and legal changes in the tourism sector which should accelerate the development of tourism.

**Keywords:** management in tourism, development, Slovakia, tourism market

**JEL classification:** L83, R58

## **Тренутно стање у управљању туризмом у Словачкој**

**Сажетак:** За Европску Унију, као уосталом и за остале земље у свету, туризам представља значајну привредну активност засновану на широкој понуди производа, атракција и дестинација. Међудисциплинарни карактер туристичке индустрије у великој мери одређује систем управљања који мора бити координиран на различитим хоризонталним и вертикалним нивоима. Из вертикалне перспективе, организациона структура туризма у Словачкој може се поделити на три нивоа – национални, регионални и локални. Када је реч о хоризонталној структури, систем се дели на јавни сектор (државна администрација и самоуправа) и приватни сектор (трећи сектор и пословни сектор). Кључне институције за развој туризма су Министарство саобраћаја, изградње и регионалног развоја Републике Словачке, Словачки туристички управни одбор, самоуправа у регионима и општинама, регионалне и локалне туристичке асоцијације и професионалне асоцијације и удружења. Словачка се налази у прилично компликованој ситуацији када је међународно тржиште у питању. Земља

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се тренутно суочава са кључним економским и правним променама у туристичком сектору које бу требало да убрзају развој туризма.

**Кључне речи:** управљање туризмом, развој, Словачка, туристичко тржиште.

**JEL класификација:** L83, R58

## 1. Introduction

Tourism industry represents a significant economic activity in many countries around the world. As an inter-sectorial industry, it directly and indirectly interferes with other sectors of the economy - industry, trade and services, finance, transport, regional development, culture, health care, education, sports, environmental protection, agriculture or employment. Tourism can stimulate the growth and development of the regions (particularly those that are economically and socially underdeveloped) and can generate employment and business opportunities. It supports the growth of knowledge, understanding and social inclusion. If we look at the international market, we can see that Europe is still the most visited region in the world, although its share steadily decreases. According to the latest statistical survey, tourism accounts more than 5% of EU gross domestic product (and up to 10% when including related activities in other sectors - transportation, retail, etc.) and the share is still increasing. The main priorities of the EU strategy in the field of tourism are a) to stimulate competitiveness in the European tourism sector; b) to promote responsible, sustainable and high-quality tourism; c) to consolidate the image and profile of Europe as a collection of sustainable and high-quality destinations; d) to maximize the impact of financial instruments and policies of the European Union in development of tourism (European Commission, 2010).

## 2. Position of tourism in Slovakia

Almost all states are seeking to strengthen their position in the competitive tourism market through various incentives and tools. In terms of tourism at European level, Slovakia can be seen as an underdeveloped country. Tourism sector has accounted for only 2.5% of gross domestic product (GDP) in the Slovak Republic in 2011 (Ministry of Transport of the Slovak Republic, 2013).

Table 1: Number of tourists in Central European countries in 2007-2011

	Total number of tourists (in thousands)				
	2007	2008	2009	2010	2011
<b>Slovakia</b>	3,778	4,083	3,381	3,392	3,571
<b>Austria</b>	31,141	32,616	32,317	33,389	34,629
<b>Czech Republic</b>	12,961	12,836	11,986	12,471	12,912
<b>Hungary</b>	7,474	7,651	7,151	7,473	8,021
<b>Poland</b>	18,947	19,556	19,354	20,462	21,477

Source: (The UNWTO World Tourism Organization, 2013)

Of all Central European countries (Slovakia, Poland, Hungary, Austria, Czech Republic), Slovakia performs as the weakest (Table 1). At the same time, it is necessary to note that differences among countries are obvious. Comparing the amount of value added tax, we can see that Slovakia has the highest percentage among all countries

(except Hungary where the VAT on food reached 27%), which negatively affects the final price to the customer and the net income of the entrepreneur consequently (Table 2). Austria, as a major player in tourism in the region, attracted more than 34 million visitors in 2011 and its market continues to grow, even during the global economic crisis. Tourism offer in the Czech Republic is strongly associated with Prague as a major tourist destination in the country. The number of foreign visitors is higher than the number of domestic visitors only in Austria and the Czech Republic. The market in Slovakia peaked in 2008, with a fairly massive decline in 2009 (about 17%). The situation has gradually stabilized since 2011. The strongest international demand for Slovakia as tourist destination is still coming from mainly neighbouring countries – the Czech Republic, Poland, Germany, Austria, Hungary; then, from Italy, Great Britain, Russia, Ukraine and France.

Table 2: Value Added Tax in the Central European countries, 1<sup>st</sup> January 2012

	Accommodation (%)	Food (%)
<b>Slovakia</b>	20	20
<b>Austria</b>	10	10
<b>Czech Republic</b>	14	20
<b>Hungary</b>	18	27
<b>Poland</b>	8	8

Source: ( Ministry of Transport of the Slovak Republic, 2013)

There are several reasons for relatively modest contribution of tourism to Slovak economy. Firstly, economic and social importance of tourism has not yet been fully appreciated in Slovakia, particularly at the national and regional levels. The state lacks a long-term, stable and continuous tourism policy that would cover/manage all activities related to tourism at lower levels. Along with the changes of political parties in the national government, approaches to tourism sector change as well. Tourism promotion and development is very uneven and it can hardly be considered as systematic. The absence of a coherent policy of tourism has resulted in the adoption of various decisions and approaches of the government, self-governing authorities or tourism associations, without having common visions or shared goals. Only basic rules exist for the management, coordination and assignment of responsibilities for individual players in the tourism industry. Tourism market is developing very spontaneously and non-systemically. Another point is the question of using resources. The country has an amazing natural and cultural potential for tourism, but the existing resources are not used or used only partially. If the country wants to succeed in the international market, the resources must be transformed into marketable products or destinations able to satisfy changing demand of domestic and foreign customers.

### **3. Tourist potential of Slovakia**

On the other hand, we can point out some positive aspects and changes in the tourism sector in Slovakia. The country has great cultural and natural sources that are unique and among most interesting in whole Central Europe (Lenovský, 2013a; Lenovský, 2013b). Let's briefly mention more than 12 accessible caves, 30 spa resorts with natural healing resources (water/ mud/ gas/ climate), around 15 high quality ski resorts, 10 folk reservations, 10 open-air museums, dozens of important archaeological sites, more than 20 thermal parks and 9 beautiful national parks, including the High and Low Tatras (Žabenský, 2013). There are thousands of churches, castles, chateaux, historic buildings,

historic parks, libraries, archival documents and historical artefacts. There are also beautiful villages with preserved cultural traditions – clothing, folk art, architecture, food, and customs. Untouched rural areas, five sites listed on the UNESCO World Heritage List (folk village Vlkolinec, the Spis castle with its environs, historic mining town of Banská Štiavnica with technical objects, historical square of Bardejov and its suburbs, a set of wooden churches) and a natural UNESCO site - caves in the National Park Slovenský kras (Žabenský, 2011; Kurpaš, 2012). Forests cover more than one third of the surface in Slovakia. Infrastructure is constantly improving and latest technologies are used in ski or spa resorts. Several golf parks set in beautiful surroundings offer high quality experience. New accommodation facilities (wellness, business, family) cover the whole range from small private accommodation in family houses up to the world famous hotel chains, such as Kempinski, Hilton, Holiday Inn and others. The offer in restaurants has also made a significant progress – visitors can choose from small family-owned businesses to luxury restaurants. Slovak wine, beer, honey products, milk products and other regional products (some of them registered in the EU quality system) face a new period of their revitalization. The capital city of Bratislava is becoming the new European destination for MICE (meetings, incentives, conferencing, exhibitions) market. Slovak government also prepares motivational tools to attract international film corporations to locate their production in Slovakia.

Regarding the Slovak tourism, an important element in its development has been the accession of the country to the EU. Free movement of goods and services made the offer open to the entire EU territory and it is easier to enter new markets now. Business entities face increasing competition, which positively stimulates the growth of quality for products and services. Many tourism subjects (municipalities, museums, schools, hotels, food companies, spas, ski resorts, thermal parks etc.) have managed to strengthen their position and to streamline their activities through EU funds, Cross-Border Cooperation Programmes and the Rural Development Programme. Slovakia invests in highways, railways, waterways and local infrastructure. Legislative and quality standards in Slovakia are gradually improving. Control bodies and responsible institutions (e.g. Slovak Trade Inspection) have successfully eliminated several negative effects, such as unauthorised tour guiding, illegal private accommodation, sale of goods of unspecified origin or the operation of uninsured travel agencies. In the following years, Slovakia is planning to adopt the National Quality System in tourism services. Slovak Tourist Board has stabilized its position and it uses latest marketing methods (YouTube commercials, TV shots, unusual exhibition presentations etc.) to attract more visitors to Slovakia. Tourism professionals constantly strengthen their prestige. On the other hand, their social status is still rather underestimated if we compare it with e.g. banking sector, industry, technology or IT sector.<sup>2</sup> Education in tourism is provided at many high schools and five universities. A new generation of tourism professionals is growing – young people with new approaches, fresh ideas, international experience, knowledge of languages and technologies.

#### **4. Management of tourism in Slovakia**

The absence of a single European tourism policy implicates that the industry is regulated individually by the Member States. The system of regulation in a particular country reflects the importance of tourism in the economy. The concept of tourism development

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<sup>2</sup> It should be noted that a surprising winner in the competition for the Best Entrepreneur of the Year 2011 in Slovakia was Lubos Fellner, the owner of the out-going travel agency BUBO, providing tours to adventure and exotic destinations.

strategy is unique and specific to each country. Therefore no single handbook or generally accepted model for the tourism development can be applied. Most European standards and best practices in tourism are related to the protection of consumers, local communities and the protection of environment.

Activities in other sectors are usually realized on the base of a relatively narrow vertical approach. But tourism is characterized with a horizontal connection to various sectors, which is a result of cross-sectoral character of tourism industry. Tourism is influenced by many subjects and entities - some of them are primarily concentrated on tourism, some of them consider it as one of their wide range of activities. What makes the situation even more complicated is the fact that the main issues of tourism industry affect many other sectors, e.g. finance, culture, regional development, economy, agriculture, even education and social care. It is very difficult to clearly define the duties and competences – which institution or subject is uniquely responsible for a particular aspect/segment of tourism industry. In the paper, we provide a basic organizational scheme of tourism in Slovakia.

Figure 1: Organizational structure of tourism in Slovakia

	PUBLIC SECTOR		PRIVATE SECTOR	
	STATE SECTOR	SELF-GOVERNING SECTOR	THIRD SECTOR	BUSINESS SECTOR
<b>National level</b>	<ul style="list-style-type: none"> <li>• Ministry of Transport, Construction and Regional Development</li> <li>• Slovak Tourist Board</li> <li>• related ministries</li> </ul>	ZMOS (Association of Slovak towns and villages)	more than 15 national Associations and Societies (e.g. Slovak Association of Hotels and Restaurants)	
<b>Regional level</b>		8 Self-governing regions	4 Regional Tourism Associations	
<b>Local level</b>		more than 2800 Local municipalities	<ul style="list-style-type: none"> <li>• 35 officially registered Local Tourism Associations</li> <li>• 30 Local Action Groups</li> <li>• other non-governmental organizations, associations, etc.</li> </ul>	entrepreneurs and businesses (natural and legal persons)

Source: (edited by authors, 2013)

From the vertical perspective, the organizational structure of tourism in Slovakia is divided into three levels – national, regional and local (Figure 1). Concerning horizontal structure, the system is divided to public sector (state and self-government) and private sector (third sector and business sector). Key institutions in tourism development are the Ministry of Transport, Construction and Regional Development of the Slovak Republic, Slovak Tourist Board, self-governing regions and municipalities, regional and local

tourism associations and professional associations and societies. Cross-sectorial character of tourism requires the coordination of development that should be encouraged by cooperation at inter-sectorial level.

### **Ministry of Transport, Construction and Regional Development – Section of Tourism**

The Section of Tourism under the Ministry of Transport, Construction and Regional Development is central body for tourism sector on the national level (Figure 2). General objectives of the section are to create legislative and policy conditions for tourism development; to coordinate government agencies; to create and implement supporting programmes and schemes of the state financial support; to create administrative and technical conditions for obtaining the EU funds; to realize bilateral cooperation in tourism and to support education of tourism professionals.

Figure 2: Organizational structure of the Ministry of Transport, Construction and Regional Development

<b>MINISTER</b>			
<b>MINISTER'S OFFICE</b>	<b>STATE SECRETARY 1</b>	<b>STATE SECRETARY 2</b>	<b>HEAD OF THE OFFICE</b>
<b>Institute of Strategies</b>	Section of EU and Foreign Affairs	Section of Road Transport	
<b>Department of Crisis Management</b>	Section of Operational program Transport	Section of Rail Transport	
<b>Department of Internal Audit and EU funds Audit</b>	Section of Budget and Finance	Section of Civil Aviation and Water Transport	
<b>Air and Naval investigation</b>	Section of Construction	Section of Communications and Postal Services	
<b>Plenipotentiary for the Waterworks System Gabčíkovo-Nagymaros</b>	SECTION OF TOURISM	Section of Public-Private Partnership	
	Section of Housing Policy and Urban Development		

Source: (Ministry of Transport of the Slovak Republic, 2012)


The scheme clearly shows that tourism is still considered as a minor economic discipline in Slovak economy. In many countries, the industry is managed by its own ministry. In Slovakia, tourism is considered almost a burden – in a short period the section of tourism was transferred from the Ministry of Economy, added to the Ministry of Culture (in this period, the Ministry even changed its name to the Ministry of Culture and Tourism) and finally was included in the organizational structure of the Ministry of Transport (all of them having its pros and cons in terms of conditions for tourism development). Along with these changes, the crucial positions change as well (minister, director of the section or the director of the Slovak Tourist Board). This has caused certain problems and difficulties - new management usually brings new approaches, methods and totally different objectives, which leads to a lack of continuity, coordination, conceptual and

comprehensive approach. If the country really wants to strengthen the competitiveness of the tourism sector, it is necessary to build a system of coordination between these subjects, particularly the ministries, because almost all of them have some responsibilities concerning certain tourism tasks. We can argue if the current position of the tourism sector under the Ministry of Transport is appropriate, but what is more important is the need of a stable and long-term position which would create proper conditions for systematic work.

### **Slovak Tourist Board**

Presentation of Slovakia as an attractive tourist destination is in competence of a specialised agency - Slovak Tourist Board (STB) founded by the Ministry of Economy in 1995. This or a similar type of institution is established in every country within the European Union (e.g. Czech Tourism in Czech Republic, Polish National Tourist Office in Poland, Hungary National Tourist Office in Hungary). The aim of the institution is to build a positive image of the country on foreign and domestic market and to present Slovakia as well developed and hospitable tourist destination. The institution also provides various marketing researches of tourism market (the research of demand, offer and competition) and consulting services. The agency participates at international tourism fairs and it is also responsible for the national tourist portal [www.slovakia.travel](http://www.slovakia.travel). The board has established the national tourism information system and the databases of domestic and foreign subjects in tourism. It provides statistics and information for the media, organizes press trips and supports over-all partnerships in tourism. One of the priorities of the Slovak Tourist Board in recent years was the establishment of foreign representative offices (Figure 3). At present there are 6 offices – in Czech Republic, Hungary, Poland, Germany, Austria and the Russian Federation.

Figure 3: Organizational structure of the Slovak Tourist Board

<b>MANAGING DIRECTOR (CEO)</b>				
			<b>DEPUTY MANAGING DIRECTOR</b>	
			<b>DEPUTY MANAGING DIRECTOR FOR SUPPORT PROGRAMS</b>	
<b>Section of Tourism Marketing</b>	<b>Department of Congress Tourism</b>	<b>Department of Strategy and Department</b>	<b>Section of Economy and Administration</b>	<b>Section of EU Structural Funds</b>
Analysis and Product Design Department	Department of Destination Management	Internal Control	Funding Department in Bratislava	Department of Administration and EU projects monitoring
Department of Marketing Communication		Control Department for EU Structural Funds	Funding Department in Banská Bystrica	Department of Financial Management of Projects
Department of Marketing Events		Legal Department	Department of Internal Administration	Department of Publicity and Implementation

				on of EU projects
E-marketing Department		HR Department (Personnel and Payroll)		Department of STB National Projects Management
International Relations				

Source: (Organizational structure of the Slovak Tourist Board, 2011)

Great problem of the Slovak Tourist Board has been the lack of funds. In 2007-2013, the majority of activities was financed through EU structural funds. The perspective of the agency for the period until 2020 is very insecure since tourism industry will not be more supported through specific schemes, but only indirectly through other priorities. If we compare budgets of these institutions in the European Union, we recognise that the sector is fairly underestimated in Slovakia. But in recent years, the Board made a relatively impressive progress. They launched a long-term marketing campaign for Slovakia, using the symbol of a butterfly and the slogan: *Slovakia – Little Big Country*. New marketing methods and tools – interactive videos, communication on social networks, web presentation and others were used. A new section specifically focused on the MICE segment - the Slovak Convention Bureau was included in the structure of the organization.

### **Self-governing regions (SGR) and municipalities**

One of the principles of European regional policy is the principle of subsidiarity, which aims to support decentralization through the transfer of certain rights, duties and competences to lower levels. Together with a reduction of support in tourism from the state level, the activities and responsibilities of self-governing regions and municipalities in tourism are still extending.

The territory of Slovakia is now divided to eight self-governing regions - Bratislava, Trnava, Trenčín, Nitra, Zilina, Banská Bystrica, Prešov and Košice. In organizational structure of each region, it is possible to find a certain department with competences in tourism (sometimes established as a specified and independent office of tourism, sometimes it is included in the regional development, cultural or international relations section). These bodies have powers and duties to develop tourism in a particular region. First of all, they create plans for economic and social development in the region and they also publish tourism development strategies and regional planning schemes in the region. They should be involved in the implementation and coordination of regional development programs. The regions are responsible for traffic infrastructure and can create their own funds for the implementation of tourism activities in the area. Self-governing regions also invest in institutions and property (museums/ galleries/ theatres/ sport clubs) within their authority, which has also a positive effect on tourism development. According to the latest Act relating to tourism, No. 91/2010, they can establish regional tourism associations. The status of self-governing regions is still not stable and clearly defined. There exists a quite large disparity between the competences they have been given and available material, financial and personal sources. In the following years, the position of self-governing regions will probably be stabilized and strengthened.



## **Regional and local tourism associations**

Each state that wants to develop tourism must support (using financial, methodological or personal tools) the process of establishing local and regional tourism associations. When we look at (not only in terms of tourism) successful European countries, we must understand that their success is built on strong regions. For many years (the first attempts were made in 1991!) there was an effort in Slovakia to define legislation about establishing and financing tourism associations. Finally in 2010, the new act on the promotion of tourism was adopted in Slovakia. It can be considered as one of the major changes in the tourism system in recent years. The Act no. 91/2010 on the promotion of tourism was updated by amendment no. 386/2011. It is sometimes called the Act on destination management or tourism cooperation, since it focuses on motivation of tourism subjects to create partnerships and to establish relations of cooperation in Slovak regions. The main novelty is the possibility of establishment of local tourism organizations (OOCR) and regional tourism organizations (KOCR). Members of local organizations must represent public and private sector as well (e.g. city, transport company, spa resort, hotel, tourguide, folk group, university etc.). The organization must generate at least 50,000 nights per year. One of the aims of the Act was to clarify the situation among various types of organizations, clusters and associations which have been non-systematically established in Slovak regions in the previous period (between 1991 and 2010). The act also guarantees state funding for registered organizations in 1:1 ratio (collected membership fees – state support) with the limit of 90% of the total tourist tax collected. The idea of the Act was to invest in active and well-established destinations in the first stage and to support new destinations in the next stage.<sup>1</sup> Through a motivational aspect of government aid, the act tries to promote public-private partnerships in tourism and to accelerate cooperation between (now fairly disintegrated) tourism entities. The status of regional and local tourism associations is not very clear today. Most of them focus on new websites, presentation at fairs, marketing activities, travel packages and common tourism products, creation of information systems, the support for their members and organization of events. One issue is still under discussion - tourism associations in Slovakia are based on optional membership. But in some of other European countries, membership in the association is mandatory, which brings better regulation and more investments for tourism development.

## **5. Conclusion**

Slovakia finds itself in a complicated situation on the international tourism market. Although it has sufficient potential for tourism development in terms of primary and secondary supply, these resources are largely unused as a product. In such circumstances, tourism in Slovakia cannot have a major impact on the strengthening of economic performance although it might significantly help in increasing the value added, reducing unemployment and settling inter-regional differences. The new stage of Slovak tourism must reflect current trends and dynamic changes in the industry – sustainability,

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<sup>1</sup> About 34 local organizations and four regional organizations have been registered so far, consisting of 220 municipalities, 500 entrepreneurs and 50 other subjects. The total amount of the state support in 2012 was 3.3 million EUR. Unfortunately, Slovak government decided to reduce the state support for organizations to the share 1:3 (This means that if the organization generated € 90,000 from membership fees, it will be supported only with the sum max € 30,000.

quality standards, new trends in mobility, tourism for all (marginalized and disabled included), innovations, new forms of tourism (shopping/ adventure/ gastronomy/ new culture/ women oriented), strong public-private partnerships, new markets (Asia/Africa – in terms of both demand and supply). The environment is changing – the competition continues to evolve, the needs and expectations of consumers grow. Moreover, these steps must be implemented in a relatively unstable economic situation in the world. The following years will reveal if the State is able to build a stable position in the central European market. Slovakia needs to find its competitive advantage if it wants to achieve its strategic goal (Ministry of Regional Development of Slovak Republic, 2013) - increasing tourism share in GDP from the current 2.45% to 3.2% in 2020.

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