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INNOVATIVE MECHANISM FOR LOCAL TOURISM SYSTEM MANAGEMENT: A CASE STUDY*

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Abstract. The purpose of the study is to provide a theoretical justification and offer practical recommendations on the effective formation and functioning of an innovative mechanism for managing local systems in the tourism and recreation sector. The study presented in the article examines issues of local tourism system management through the example of tourism and recreation in the Volga Federal District, Russia. The authors analyse conceptual approaches to innovative management of local tourism and recreation systems and propose an innovative mechanism for local systems management in the Volga Federal District.

Keywords: innovations; innovativeness; tourism and recreation; management; local systems; Russia

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1. Introduction

Tourism is one of the fastest growing and most promising sectors of the world economy, with a vital contribution to the economic strength and social development, and high potential for long-term growth. In the last decades, this sector has become a key driver for socio-economic progress (UNWTO, 2018). For many regions, tourism is the most important source of income, job creation, and property reduction (Benavides, Pérez-Ducy, 2001; de Freitas, 2003; Goodwin, 2008; Cárdenas-García et al., 2015; Roberts et al., 2017). However, tourism destination governance is a very complicated management activity. Tourism is a highly fragmented industry, geographically dispersed with many small specialist businesses contributing to an overall product experience (Czernek, 2017). In

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this perspective, there is a need to identify tourism destination as a complex system (Baggio et al., 2010). Essentially, “a local tourism destination is a physical space in which a visitor spends at least one overnight. It includes tourism products such as support services and attractions, and tourism resources within one day’s return travel time. It has physical and administrative boundaries defining its management, images and perceptions defining its market competitiveness. Local tourism destinations incorporate various stakeholders often including a host community, and can nest and network to form larger destinations” (UNWTO, 2016).

The current conditions of growing diversity and severe competition in the tourism market, on the one side, and growing demands and needs of tourists, on the other side, make it necessary to look for innovative decisions, for new sources of destination competitiveness (Zolotukhina, 2009; Almobaideen et al., 2017; Panfiluk, Szymańska, 2017; Sheresheva, 2018; Shevyakova et al., 2019).

Therefore, there is a need to develop innovative local systems in tourism that are complex networks, based on new ideas and approaches, services and products. Managing innovation within such networks is crucial for sustainability and long-term success of any contemporary destination (Mingaleva et al., 2017; Zach, Hill, 2017; Biemans, 2018).

UNWTO (2010) offered recommendations on the innovative policy development in tourism and defined the priority goals in this field. These recommendations are as follows:

- 1) economic and innovative vitality (to assure competitiveness and development of innovative products in tourist destinations);
- 2) employment quality (to facilitate an increase in quality and quantity of workplaces created and supported by the tourism sector);
- 3) local control (to encourage local communities participation);
- 4) innovative resources effectiveness (to develop innovative projects);
- 5) accessible tourism (to ensure a safe and comfortable environment for tourism).

However, there are impediments to innovative growth in many new tourism destinations, especially in those in developing countries (Benavides, Pérez-Ducy, 2001; Najda-Janoszka, Kopera, 2014), including Russia. The major barriers are weak infrastructure, scarcity of financial and human resources, low activity of local communities, and unfriendly institutional environment. Therefore, the development of innovative management mechanism for local tourism systems is a highly urgent task.

In this research, the authors proposed an innovative mechanism for managing local tourism systems and tested it on the example of the Volga Federal District regions, Russia.

This article is structured as follows. Section 2 presents an overview of the literature on the issues of innovations, with the focus on innovative local tourism systems, networking, system planning and spatial planning approach. In Section 3, an innovative mechanism for local systems management in tourism is proposed. In Section 4, the methodology of evaluation on the base of ranking the Volga Federal District regions is presented. A case study of the Mari El Republic presented in Section 5 shows the approach to the classification of innovative sectors in local tourism systems management, as well as the analysis of the main tourist potential indicators. Finally, conclusions and suggestions for future research are provided.

2. Literature review

The main issues of researcher interest concerning innovativeness in the economy include innovation policy, the innovation drivers in the economy, innovativeness in the context of a knowledge-based economy and in the globalization process, and the innovative activity of enterprises, with particular consideration given to technological progress and R&D expenditure (Panfiluk, Szymańska, 2017). There is also a growing amount of academic literature on sector-specific innovativeness (Malerba, 2002; Garcia-Altes, 2005; Gallouj, Savona, 2009; Garcia, Hollanders, 2009; Krasnyuk et al., 2017), including research on innovation in hospitality and tourism (Hjalager, 2010; Bilgihan, Nejad, 2015; Gomezelj, 2016; Marasco et al., 2018).

In the twenty-first century, the focus of research came to the innovativeness of tourism enterprises (Sundbo et al., 2007; Nybakk, Hansen, 2008; Hjalager, 2010; Walsh et al., 2010; Szymańska, 2015); measuring innovations in tourism (Camison, Monfort-Mir, 2012; Volo, 2012); networking in tourism as a way to sustainable client-oriented innovations (Baggio, Sainaghi, 2016; Camison, Monfort-Mir, 2012; Aarstad et al., 2015); tourism entrepreneurship and regional development (Ateljevic, 2017; Mingaleva et al., 2017). Also, the issues of modeling innovative mechanism for local tourism systems management remain one of the hot topics (Omerzel, 2015).

The initial attempts to define innovative local tourism systems, and to unveil factors playing the key role in the development of innovative tourism systems, belong to the last decades of the twentieth century. Leiper (1979) described innovative local systems as the interrelation between a number of elements, namely a region that considers the concentration of tourist flows as its main goal, a tourist destination with innovative infrastructure and a particular environment (sociocultural, innovative, legal, political, etc.). In Europe, major characteristic features of innovative local systems development were depicted as follows: 1) emerging of innovative approaches including acquisition of new knowledge and familiarization with new technologies in the innovative local systems (Geschka, Hubner, 1992); 2) integration of recreation and travel conditions for meeting the needs of different tourist target groups (Davidson, Maitland, 1997; Buhalis, 2000). Resting upon the European studies on tourism, Prosser (1994) proposed an innovative local tourism system model. This model pays special attention to an internal description of a tourist destination that consists of the environment, innovative attractions, high-quality services, innovative technologies in the destination, and the local population.

In the same period, the Regional Innovation System (RIS) concept was introduced (Cooke, 1992; Cooke et al., 1998). Cooke (1992) specified the RIS concept as the prelude to an extended discussion of the importance of financial capacity, institutionalized learning and productive culture to systemic innovation. Nelson (1993) defines RIS as a system composed of regional system, regulations and practices to guide the yielding of innovation. Some researchers suggested consideration of RIS as an interactive, dynamic structure made up of partners in the regional production (Lambooy, 2002) or even as a kind of complex adaptive system (Cooke, 2013). Following Cilliers (1998), it is possible to characterize a system as complex and adaptive by listing a number of main properties. These properties are as follows:

- 1) a large number of elements form the system;
- 2) interactions among the elements are nonlinear and usually have a somewhat short range;
- 3) there are loops in the interactions;
- 4) complex systems are usually open and their state is far from equilibrium;
- 5) each element is unaware of the behavior of the system as a whole, it reacts only to information or perturbations available to it locally;
- 6) complex systems have a history;
- 7) the “future” behavior depends on the past.

Such a system cannot be broken down in sub-elements and understood by analyzing each of them but should be understood only by analyzing it as a whole (Baggio, 2008; Baggio, Sheresheva, 2014).

For Russia, Postaliuk et al. (2017) proposed to enhance the management potential of economic entities in local economic systems by the introduction of a number of properties that compose the structure of the innovative economic system. These properties are as follows (Karimullina, Postalyuk, 2017): 1) self-similarity; 2) self-regulation; 3) self-organization; 4) self-education; 5) innovation 6) control. Actually, regarding tourism and recreation sphere, this is the usual logic of RIS, from the one side (Isaksen, 2001; Iammarino, 2005), and tourism destination networking, from the other side (von Friedrichs Grängsjö, Y. 2003; Lazzeretti, Petrillo, 2006; van der Zee, E.; Vanneste, 2015). There is a need for close coordination and integration of specialized resources and activities provided by interdependent, yet autonomous actors, in order to deliver the destination product (Aarstad et al., 2015). In accordance with this logic, Butler and Hinch (2007) put a tourist destination and elements interacting with it (an innovative infrastructure, financial resources, tourist flows, etc.) into the center of the innovative local system.

The main goals of local tourism system management are to increase the efficiency of the tourism and recreation sector and to ensure sustainable regional development (Buhalis, 2000). To achieve these goals, an innovative management mechanism development is important.

3. An innovative mechanism for local tourism system management

The innovative mechanism for local systems management, presented in Figure 1, includes a combination of rules, procedures, and tools of decision-making by a managing subject that can affect the economic actors' behavior.

In this study, the term *economic actors* refer to multilevel local systems that conduct their innovative activity based on the combinations of rules, i.e. legal acts. Innovative management procedures include innovative management tools that influence the behavior of economic actors. We divide the innovative procedures and tools into internal and external ones. Implementation of the innovative mechanism for management of local tourism systems facilitates revealing of the existing business problems and defining the ways of their solution. As a result, the increase in the effectiveness of local tourist and recreational potential can be achieved.

We consider the following external innovative procedures for the tourist and recreational sector in Russia:

- 1) development of innovative public-private partnerships;
- 2) systematic public support for the industry;
- 3) search for innovative investors;
- 4) participation in national travel and tourism fairs and exhibitions;
- 5) development of innovative programs for industry improvement.

For each external innovative procedure, we have developed a set of innovative tools and their detailed descriptions.

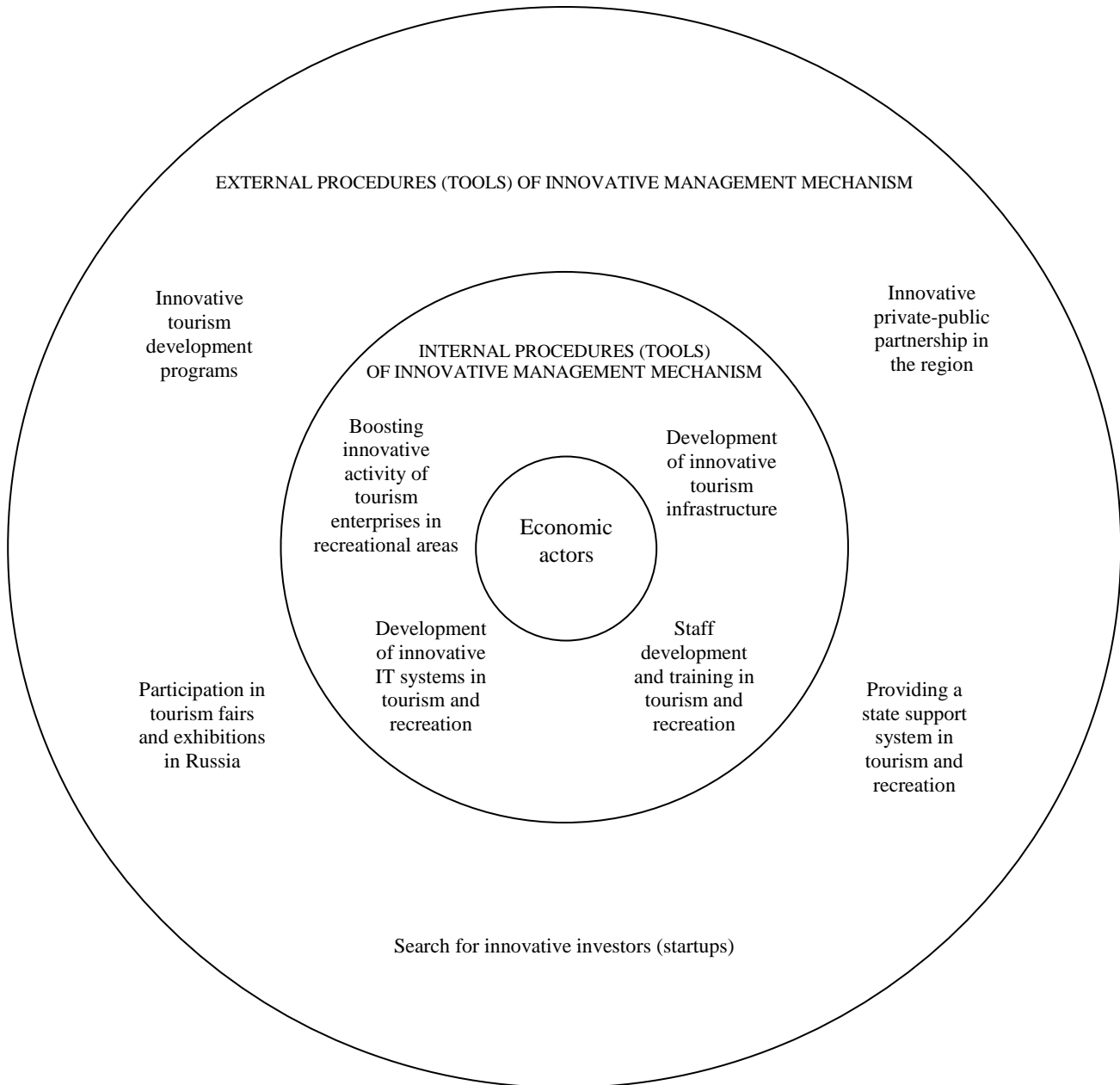


Figure 1. The innovative mechanism of local tourism system management

Source: developed by the authors

Further, we will show the relationship between innovative procedures and innovative tools on the example of the internal procedures used in the regions of the Volga Federal District.

The internal innovative procedure called *Qualification improvement and retraining of human resources in the tourism and recreation sector* consists of the following internal innovative tools:

- personnel certification;
- qualification upgrading courses;
- practical training courses and internships;
- distance courses and seminars;
- business training;
- professional information resources use and knowledge exchange between employees;
- qualifying exams.

The second internal innovative procedure called *Development of innovation infrastructure in the tourism and recreation sector* includes the following internal innovative tools:

- improvement of transport infrastructure conducive to the realization of opportunities for the timely arrival of tourist groups;
- elaboration projects for new tourism enterprises development and for new facilities construction;
- implementation projects for the creation of tourist complexes, recreation areas, museums, etc.;
- deployment measures for restoration historical and cultural sites (monuments) in local systems.

The third internal innovative procedure called *Organization of innovative information systems in the tourist and recreational sector* involves the following internal innovative tools:

- monitoring tourism firms websites, with the aim to reveal the existing problems that concern text information and images on the website, visiting statistics, as well as to the arrangement of the main elements of the website and their configuration;
- redesigning of the websites if needed;
- introduction a unified IT system for the collective accommodation facilities management on the regional level, that will help to simplify coordination and control over different types of hotels activity.

The fourth internal innovative procedure called *Organization and promotion innovation activities of enterprises in the tourism and recreation sector* implies the following internal innovative tools:

- revealing key indicators to evaluate the innovative processes effectiveness;
- development instruments for boosting innovative processes in tourism enterprises;
- evaluation of the innovative activity effectiveness of tourism enterprises;
- introduction of additional tools to stimulate innovation processes in tourism enterprises.

The proposed algorithm of interrelation between the external and internal tools is as shown in Figure 2.

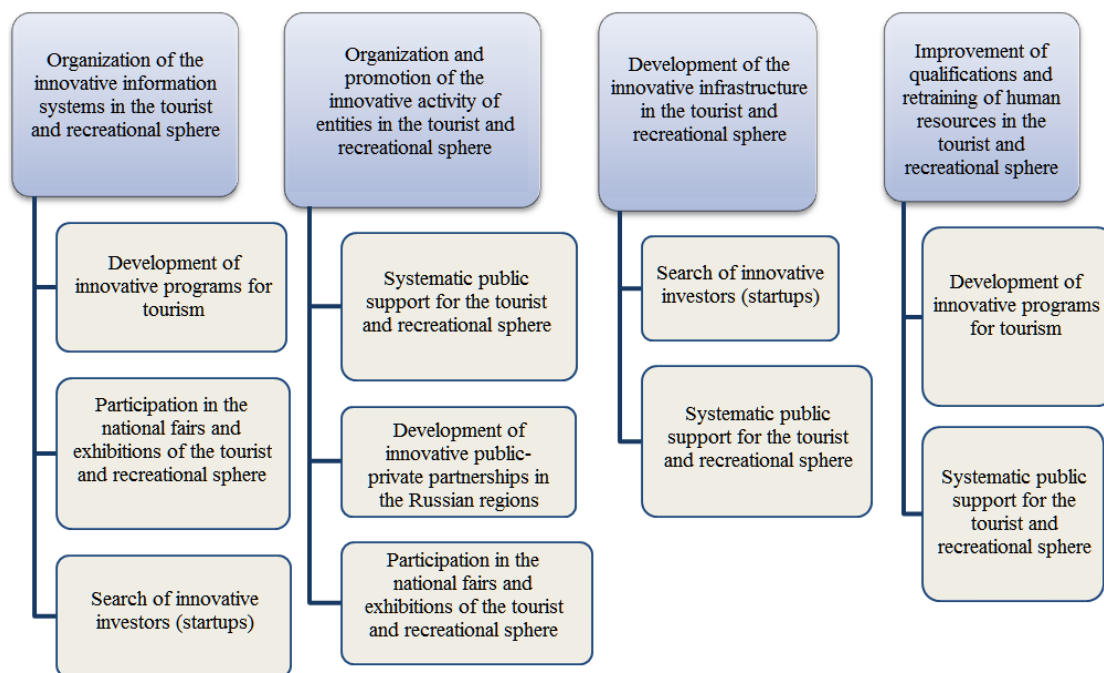


Fig. 2. The algorithm of interrelation between the external and internal tools of the innovative mechanism for local tourism system management

Source: developed by the authors

4. The methodology of evaluating local innovative tourism systems management on the base of ranking the Volga Federal District regions

The regions under analysis were ranked according to the annual (monthly) indicators that account revenues and expenses. The results of such ranking are used for plotting two different graphs that demonstrate the results of region ranking according to a tourist potential and characterize the revenues from commercial tourist services and tourist facilities in the regions. The results of the analysis allow for revealing groups of regions described as leader regions, middle regions, and outside regions. The analysis of tourist attractiveness of the Volga Federal District regions shows that over the past five years the following regions have demonstrated the indicators deterioration: the Perm Region, the Saratov Region, the Mari El Republic, the Penza Region, the Kirov Region, and the Ulyanovsk Region. The causes of deterioration are the state of the natural recreational environment, lack of due attention to historical and cultural complexes, to the development of the tourist infrastructure. The Republic of Tatarstan, the Udmurt Republic, the Chuvash Republic, and the Orenburg Region have improved their position in the ranking over recent five years. The situation in these regions has improved due to the organizing big newsworthy events, the construction of new recreation and entertainment facilities, and the intensive development of accommodation facilities. Table 1 shows the data on the revenue and expense indicators in the tourist and recreational sphere, obtained using the authors' methodology, and the data on the tourist potential indicators.

Table 1. Effectiveness of achieving a tourist potential:
a case study of the Volga Federal District (its regions)

Region of the Volga Federal District	Rank of financial investments in tourism in the analyzed region	Rank of the tourist and recreational potential	Rank of the analyzed region revenues
Mari El Republic	5	1	2
Ulyanovsk Region	7	2	4
Republic of Mordovia	6	3	1
Penza Region	9	4	3
Udmurt Republic	2	5	9
Chuvash Republic	13	6	7
Kirov Region	4	7	8
Orenburg Region	3	8	6
Saratov Region	1	9	5
Samara Region	8	10	10
Perm Region	12	11	11
Nizhny Novgorod Region	11	12	12
Republic of Bashkortostan	10	13	14
Republic of Tatarstan	14	14	13

Source: study results

Figure 3 shows a diagram of distribution of the regions due to the correlation of the investment rank and the tourist potential rank.

The diagram represented in Figure 3 distributes the regions in dependence of correlation of the rank of investments and the rank of tourist potential. The regions of the Volga Federal District are indicated by figures according to the rank of their tourist potential. When analyzing the group of regions above the diagonal line, one should especially highlight the Nizhny Novgorod Region and Samara Region, as well as Bashkortostan. These regions demonstrate quite high investments ranks and tourism potential ranks. The indicators of potential are somewhat higher than investments ranks. That evidence about rather high effectiveness of achieving their potential. At the same time, one can indicate prospects of attracting more investors for even more impressive results in achieving their tourism potential.

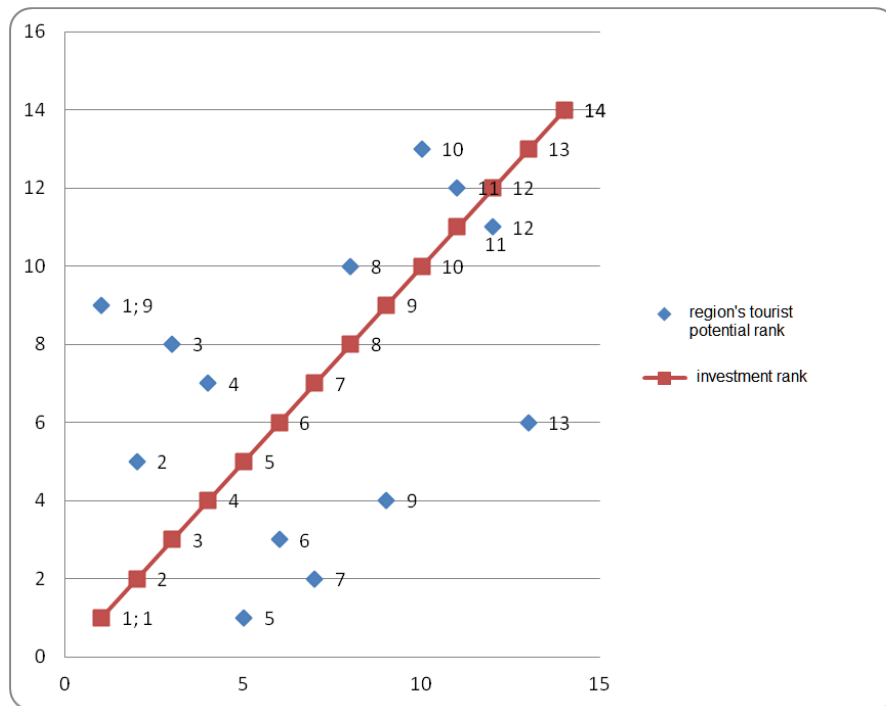


Fig. 3. Tourism potential evaluation of the Volga Federal District regions

Source: study results

According to the approaches adopted in contemporary Russia, the development of local systems in the tourist and recreational sphere implies an emphasis on the following priority directions (Figure 4).

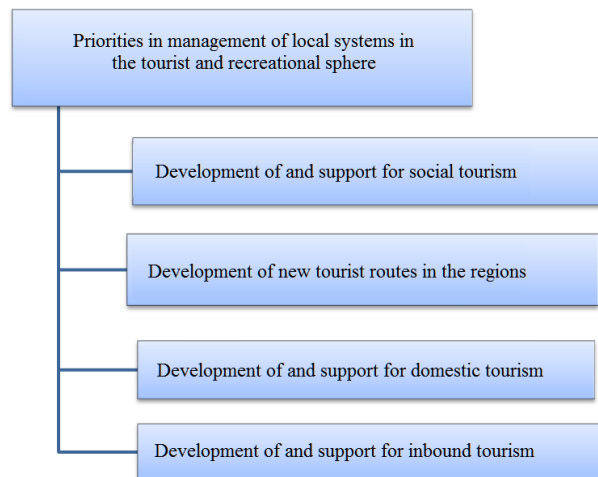


Figure 4. The priority directions of local tourism systems management

Source: developed by the authors

Each of the priority directions outlined has its own particular features of innovative development.

1. *Development of and support for social tourism.* In the Russian Federation, social tourism develops within a number of regions. Still, this market segment is not sufficiently developed. The priority directions analysis allows us to reveal the main innovative factors to support intensive development in this direction:

- the overall focus on attaining a number of social objectives: rendering non-material values, raising the educational and cultural level of the population, reduction of income inequality, relieving of socio-psychological tension in the society;
- the attention to patriotic education of young people who should cherish the memory of important events in Russian history;
- the country image improvement. It is one of the main factors of social tourism development, as well as any other sector of the tourism market.

2. *Development of new tourist routes in the regions.* The development of a unique tourist product is one of the most important directions of the innovative activity in the tourist and recreational sphere. Therefore, the authors paid special attention to the methodology of innovative tourist routes development (Figure 5).

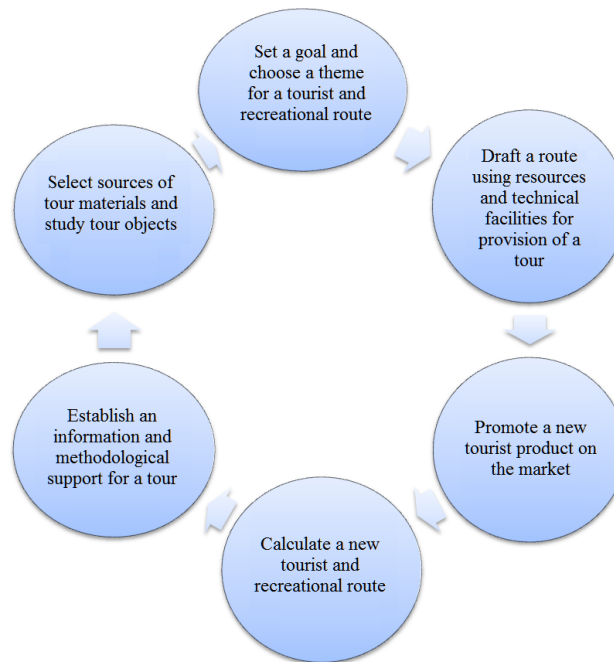


Fig. 5. The methodology of innovative tourist routes development

Source: developed by the authors

The main innovative factors of this direction are:

- the client-oriented smart policy, with the special focus on relevant skills of operating personnel;
- careful attention to all features of the tourist route, to meet interests, wishes, and requests of clients;

- building a positive image of the local tourist area, including the improved reputation of all enterprises engaged in servicing tourists;
- provision of high-quality information about leisure opportunities, entertainment, sightseeing activities, etc. on both local and regional markets.

3. *Development of and support for innovative domestic tourism.* The results of many studies show that the externalities of tourism, including at the local level, are both positive and negative. The main concerns in the Russian domestic tourism development are not only the lack of a high-quality tourist product and necessary infrastructure but also neglecting the local communities attitude and interests, as well as insufficient consideration of environmental issues when planning tourism development. To unite efforts in improvement domestic tourism results, it is necessary to elaborate development plans for each region and to coordinate these plans on the federal level, taking in account the need to balance interests of all tourism market stakeholders.

4. *Development of and support for inbound tourism.* The main innovative factors of this direction are:

- establishment of innovative specialized infrastructure in the local tourism systems of the Volga Federal District;
- development of up-to-date monetary instruments to be used in tourism business;
- ensuring high-quality customer service in the field;
- increasing state support in the issues relating to development of inbound tourism.

5. The case study of the Mari El Republic

In order to reveal the main indicators of tourist and recreational service volumes for implementation of the program «Innovative development potential of the tourist and recreational sphere in the Mari El Republic», we applied correlation and regression analysis. In Table 2, there are the input data for this analysis.

Table 2. The input data for correlation and regression analysis

Volume of tourist services, million rubles (Q)	Tourist flow, thousand people (N)	Annual per capita income, thousand rubles (I)	Index of prices for leisure services (P)
581.7	291.5	291.8	1.11
710.1	360.3	332.7	1.04
696.7	420.5	346.4	1.07
711.3	570	366.9	1.14

Source: compiled by the authors

The correlation matrix was analysed to select variables for the multiple regression model (Table 3).

Table 3. The matrix of paired coefficients of correlation

Indicator description	Volume of tourist and recreational services (Q)	Tourist flow (N)	Per capita income (I)	Index of prices (P)
Volume of tourist and recreational services	1	-	-	
Tourist flow	0.689776115	1	-	
Per capita income	0.900219299	0.926511952	1	
Index of prices	-0.27162447	0.505152195	0.14771438	1

Source: study results

Analysis of the matrix data has shown: firstly, a strong relationship between the volume of tourist services, tourist flow and average per capita income; secondly, the relationship between tourist flow and per capita income, indicating the presence of multicollinearity, which will distort the result of the study. To eliminate multicollinearity, we excluded from the regression equation the indicator of tourist flow, which has a lower relationship with the volume of tourist and recreation services. The main obtained indicators of regression statistics demonstrate the tight relationship between the obtained values. The data listed in table 4.

Table 4. The main indicators of obtained regression statistics

Multiple R	0.98811076
R-squared	0.977747345
Normalized R-squared	0.933242034
Standard error	16.15310631
Observations	4

While designing the main indicators of regression statistics, we revealed the equation for the dependence of tourist and recreational services on these factors, expressed as follows:

$$Q = 682,25 + 1,89I - 588,12P$$

This equation shows the direct relationship of the tourist services volume with per capita income and the inverse relationship with the price index for leisure services. Partial elasticity coefficients show high elasticity of these services to the population income (1.89) and single elasticity to the price change (0.95).

The equation is applicable to forecast the main volume of tourist and recreational services in the Mari El Republic. The goals will be achievable only in case if target indicators and actual indicators will be equal to one or higher than one.

The organization, control, and management of the program “Innovative development potential of the tourism and recreation sphere in the Mari El Republic” may become the responsibility of the Ministry of Youth Policy, Sports and Tourism of the Mari El Republic.

Our case study also confirmed that for improving the development indicators of the tourist and recreational sphere in the perspective of the public authorities' influence it is necessary:

- to ensure accessibility of the tourist and leisure services for all social segments, both for local people and tourists from other countries and regions visiting the Mari El Republic;
- to improve the infrastructure, and to establish a favorable institutional environment for tourism development in the Mari El Republic, including business, local communities' and tourists' rights protection.

Conclusions

In the context of globalized processes and market segments, the importance of innovations and sustainability in solving the problems of local tourism systems development is growing. There is an obvious need to create prerequisites for increasing innovation activity, and for shaping promising areas of local tourism development. The manifestation of innovative activity through the innovation process creates the conditions for the sectoral economic development and tourism services quality improvement. Economic, financial and organizational influences on the part of different tourism destination stakeholders, including federal and regional authorities, are crucial for creating a system of individual self-regulation measures.

To form an innovative mechanism and to implement innovative ideas, it is necessary to develop local tourism systems aimed at creating new tourist resources and products, to stimulate their growth and competitiveness. The complexity of the innovative development process in tourism destinations is stipulated by the interaction of consumers, local communities, public administration bodies, as well as tourist firms. All destination stakeholders' activity is regulated by legal norms and rules. Therefore, institutional environment making a framework for the innovative activity in tourism is especially important.

The study presented in the paper allowed to determine the theoretical and methodological foundations, and to identify conceptual approaches to the development of an innovative mechanism for managing local tourism systems. We studied the current state and development trends of local tourism systems in the Volga Federal District of Russia and analyzed the selected areas of local tourism systems management. For the Mari El Republic, we revealed major opportunities and threats, as well as factors of the local tourism system competitiveness; the developed program "Innovative development potential of the tourist and recreational sphere in the Mari El Republic" defines target indicators and forecasts the volume of financial investments needed to the successful program fulfillment.

The study results showed that the relevance of the innovative local system development is largely dictated by the current situation in the Russian economy, and by the ever-increasing role of integration processes in innovative interaction on the regional and interregional levels. This, in turn, contributes to the importance of further studying and applying innovative mechanisms and instruments of influence on current economic processes in tourism.

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