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### **Informatization of Economic Growth in the Health-tourism Industry in Montenegro Using Insights from Regionalization**

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#### **Abstract**

We suggest that the health center Igalo is the main entrepreneurial agent in health tourism in Montenegro. In order to succeed in stimulating economic growth, the health center can benefit from using a regional approach for attracting foreign visitors. Technological knowledge, with a focus on routines, is regarded as the main driver of changing existing practices. Change of routines can have effects on leadership traits and value creation processes, both within the health center Igalo and among other actors in tourism industry. However, due to economical, ethical and political turbulence at Balkan, the conclusions are not clean-cut. Using process research and story telling as the research approaches, the research sheds light on the possibilities and boundaries for health tourism development in Montenegro.

**Keywords: Igalo health centre, Montenegro, economic growth, regionalization, health tourism development**

## **THE PURPOSE OF THE RESEARCH**

We illustrate that the Igalo Health Center can be regarded as a main driver of economic growth within health tourism in Montenegro. Technological routines is regarded as a source for achieving economic growth by attracting foreign visitors. Economic growth at a regional level can, according to our thinking, best can be achieved by combing technological routines with leadership and value creation. In spite of the fact that our conceptual model gives certain insights as to how to organize health tourism in Montenegro, a certain degree of doubts remain as to the viability and effectiveness of this focus. Empirical evidence suggests a number of problems related to a chaotic economical and political situation at Balkan, that contradict conventional wisdom of the development of health tourism.

## **REGIONALIZATION WITH A FOCUS ON HEALTH-TOURISM**

European economics are in a stage of flux due to lack of sufficient economic growth. Disillusion with the euro, rows of the EU budget, and the unpopularity of many national governments have their roots in slow economic growth, particularly after the financial crisis became a reality in fall 2007.

Tourism has long been considered to be an effective catalyst of regional regeneration, where economic growth can be regarded as one objective. Throughout Europe, tourism is promoted to address economic and social challenges, particularly in regions where there is a decline of traditional industries (Cavaro, 1995; Hoggart et. al, 1995; Oppermann, 1996; William and Shaw, 1998).

Health tourism has often been promoted as a counterpoint, to mass, package-type tourism within regions. A number of popular sun-sea-sand tourism destinations have, in the last decades, attempted to diversify into health tourism in order to achieve a more balanced, sustainable approach to tourism development.

The development of health tourism in traditional summer-sun destinations is seen as means of attracting more diverse, high-spending market segments, mitigating the problems of seasonality associated with a summer-sun profile, and satisfying alleged demand for a more environmentally appropriate form of tourism.

One country that has sought tourism diversification and economic regeneration through a focus on health tourism is Montenegro, and particularly the Igalo Health Center and its surroundings. Montenegro, situated in the heart of the vibrant economics of South Eastern Europe, with approximately 750 000 inhabitants, has a turbulent history as being located near the frontlines of more or less despotic empires, including the Austrian-Hungarian, the Napoleons, the Nazis, the Ottoman, and the Romans. The Balkan War in the 1980s and 1990s led to economic and political setbacks of the Balkan states. Lack of respect for fundamental human rights and bloody reports from the war zones filled newspapers worldwide. Croatia, Macedonia and Slovenia declared independence in 1991. Bosnia-Herzegovina followed in the footsteps and did the same the year after. In a referendum in 2006 Montenegro declared independence from Serbia.

The considerable natural beauty is a keystone for tourism development within Montenegro. With a natural landscape full of contrasts, including the seaside, mountains and glacial lakes, Montenegro provides a unique experience to visitors. The country meets the major conditions for holidaymaking of sandy beaches, clean, clear sea and lakes, a beautiful, largely unsoiled landscape, and a pleasant climate. The prices for real estate and living expenses are still moderate in Montenegro compared to countries in Western Europe. Although these aspects indicate an enormous potential, the situation is far from satisfactory. There are great challenges with respect to service quality, and how to co-ordinate activities at the regional level. These factors make it difficult to meet demands of international guests (Montenegro Business Outlook, October, 2004).

The Igalo Health Centre has today an excellent reputation with regard to traditional approaches of patient treatment, with a specialty within rheumatism. The health centre has over the years managed to become a popular alternative among international guests. The Igalo Health Center is regarded as the crone jewel in tourism development in Montenegro. However, in recent years, competitors from Cyprus, Malta and Turkey, to mention a few, have become more active, leading the Igalo Health Center into a situation with a stronger focus on how to attract international guests is highlighted.

## **CONCEPTUAL ARGUMENTS FOR SUPPORTING HEALTH TOURISM IN MONTENEGRO**

Montenegro can benefit from focusing on health tourism as mass tourism has a tendency to become outdated, particularly in times of turbulence.

In order to handle increased complexity, it is pertinent that leaders in Montenegro achieve a better understanding of how knowledge can be applied in order to push beyond the competitive edge.

The creation of knowledge in health tourism is by nature dynamic, leading us to believe that it might be wise to use dynamic competencies as our conceptual reference. By definition the use of dynamic competences involve adaptation and change, building on foundations provided by Schumpeter (1934, 1939, 1942, 1947), Penrose (1959), Nelson and Winter (1982), Barney (1986), Teece et al. (1997), Zollo and Winter (2002), and Helfat and Peteraf (2003).

Competence implies a link between knowledge, skills and tasks. Knowledge is in our opinion the most important element in the competence concept as it indicates how tourism regions can apply, develop and integrate competence in a strategic manner (Johannessen et al., 2005).

We pay attention to the use of heterogeneity of resources when using knowledge in a dynamic manner. There are a number of conceptual avenues that can be followed when studying knowledge in dynamic settings. We use an approach derived from evolutionary economics (Nelson and Winter, 1982), and describe the evolutionary trajectories of knowledge (Helfat and Peteraf, 2003). Our analysis focuses on the regularities among trajectories and describes both patterns and paths of knowledge evolution.

Specifically, we try to illustrate that the use of knowledge is dependent upon routines (Nelson and Winter, 1982). Routines may be given the form as a set of norms, or “theories of action” (Argyris and Schon, 1978). Routines are normally relatively stable over time. A certain degree of flexibility can take place signaling which knowledge can be useful under defined conditions (March and Simon, 1958).

We find routines interesting as they can help organizations in their struggle to create new knowledge. By focusing on routines, the Igalo Health Center, and the partners in business networks, can use information filters that than constraint the range of knowledge explored (Henderson and Clark, 1990). If Igalo Health Center should decide to search outside its limited range, knowledge that substantially deviates from a given knowledge can be difficult to comprehend and applied (Cohen and Levinthal, 1990).

## **RESEARCH CONSIDERATIONS**

### **Principles of chaos theory**

We live in times characterized by change, a time where the only constants seem to be confusion and uncertainty. Newer theory maintains that uncertainty is a driver of change, enhancing the possibilities for achieving competitive advantage (Eignatten and Galen, 2002; Eignatten and Simonse, 1999; Fitzgerald and Eijnatten, 1998; Meyer et al., 2002).

The emerging conceptualization of reality is based on complex, dynamical, non-linear and unpredictable systems, often referred to as chaotic systems. Chaos describes a situation where a system is dislodged from its steady state condition by triggering events. It involves a regrouping of the elements of a given system, from which a new order eventually emerges (Fitzgerald and Eijnatten, 1998).

The complexity is related to the number and types of relations and “elements” in a system. The complexity is also linked to the composition, structure and function of a system (Rescher, 1998, 1). In case of a high degree of complexity, system behaviours will easily be perceived as being chaotic. This the performance of a system is hard to explain based on how the various parts operate. From the moment of increased in complexity in a system, subsequent expansion has a tendency to follow (Rescher, 1998, 6), i.e. complexity feeds on itself (Johannessen et al., 2005).

An edge of chaos exists when there is a system in tenuous equilibrium. An analogy is borrowed from Waldrop (1992) that is it as a pile of sand heaped on a table to the limit capacity. It implies a readiness for change, or an “edge of chaos” states in which the adhesive friction between the sand and grains is taxed to the limit of tolerability.

It is when is system is in the state of chaos that it is most vulnerable to the butterfly effect, which state that small causes can have large effects. The climatic repercussion of small initiators is exaggerated by the “butterfly metaphor“(Lorenz, 1963). This metaphor explains that a butterfly in Amazon can, of course, theoretically, cause a swelling ripple that, in turn, can lead to a gigantic dust storm in Texas.

Chaotic systems might have an ability of self-organization (Gleick, 1987). There is likelihood that some systems will make “smoothing adjustments” so that that “wild fluctuations” of the short term will be partially nullified in the long term, through the effects of negative feedback mechanisms (Lorentz, 1963).

While organizations might operate in a state of chaos, pattern of behaviors can emerge as a result of human intuitions rather shaped by traditional methods of planning and control. Consequently, actions may produce unexpected outcomes. In regions that operate with chaotic systems, complex communication networks are essential as such networks require that some organizations must react more rapidly than others (Stacey, 1995).

### **Methodological foundations**

As the study progressed, a similar process to that outlined by Meyer et al (1993, 68), whereby concepts and research methods were constantly rethought and updated following analysis and findings, was followed. Similarly, Hinings and Greenwood (1988, 99) argued that the researcher has to modify theoretical frameworks during the life of the project. It has been recognized that the conventional research cycle-conceptualization, design, measurement, analysis, and reporting, does not hold well in hyperturbulent environments (Chiaburu, 2006, 744). This “interactive approach” (Orton, 1997) is considered a flexible research approach since “numerous trade-offs are required” in order to “learn about variety of ways in which organizational designs, contexts, and leaders can affect how and when different types of change occur (Glink et al., 1990, 310). In order to understand organizational phenomena at a more than superficial level, the scholarly literature has called for a more in-depth process research (Langley, 1999).

This study considers change to be a continual process of becoming, rather than a succession of stable states. This viewpoint suggests that social reality is not a steady state, but rather can be regarded as a dynamic process (Beech and Johnson, 2005). Thus, there is a need to observe events and interactions as they unfold over time. This approach suggests that dynamic construction, deconstruction and reconstruction of meaning make sense over time as contextual forces evolve and as organizational restructuring takes place.

An interpretive approach is regarded as suitable for the investigation of complex and poorly understood phenomena (Dixon et al, 2007), since such an approach implies that the researcher’s task is to “make sense of local actors’ activities” (Soulsby and Clark, 2007, 1426). Thus the important criterion for assessing interpretive data analysis is its ability to provide reasonable insights into the phenomena that demand deeper understandings. Empirical findings illustrate, rather than validate, the theories they reflect (Astley and Zammuto, 1992).

### **The use of story telling**

Since the cultural, economical and political situation in Montenegro is chaotic and turbulent, and health centres is sparsely investigated, it is difficult to find already pre-formulated deductive propositions and hypothesis describing organizational design mechanisms. Instead, an inductive approach was chosen. Our choice fell on storytelling

when deciding our research approach.

Storytelling as a cultural presentation and as sociological text emerges from many traditions, but nowhere more strongly illustrated than in oral history and folklore (see Claudinin and Connelly, 1999; Richardson, 1997).

Telling stories is an important part of the construction of meaning and understanding in social situations (Boje, 1991; Brown, 1990; Weick, 1995). Organizational storytelling serves to establish common values and strengthen the identity within organizations (Brown, 1990; Kreps, 1990).

People construct meaning about their lives through the stories they tell (Ramer, 1997). Stories can act to quell anxiety and enhance the organization's ability to navigate through difficulty (Boje, 1991; Peters and Austin, 1985, Neuhauser, 1993). Storytelling is powerful in organizational settings, where "stories act as a vehicle through which members can offer definitions and explanations of their work life" (Brown and Kreps, 1993, p. 49). Stories present conceptual boundaries for members to think through and make sense of events that have occurred (Brown and Kreps, 1993; Weick, 1995).

The purpose of stories in organizations is primarily twofold (Neuhauser, 1993; Pondy, 1993): grounding (clarifying key values) and instruction (demonstrating how things are done in a setting). Critical viewpoints challenge the notion that stories can be explained in individual ways: instead, multiple voices and multiple realities must be considered (.e.g. Berger and Luckmann, 1967). Boje et al. (1999) caution about the hegemonic aspects of storytelling research, as narrators, by definition, privilege particular fragments of stories. Consequently, researching stories in organizations must be carefully undertaken to represent many voices.

### **Field trip to Montenegro**

During November 2004 a field trip took place in Montenegro. Open-ended questions were conducted with seven nurses, and the CEO and the vice-president at the Igalo Health Center. The same open-ended questionnaire was used for leaders of two hotel operations, two tour operators and two airlines, all with strong links to the Scandinavian market. During the trip to Montenegro the capital Porgorcia was also visited. University professors and representatives from large international firms such as Siemens (Germany) and Telenor (Norway) were interviewed. The respondents were contacted again, when the researcher was back in Norway, in the time period lasting from 2005 until 2008.

The purpose of the interviews was to explicit respondents' attitudes towards the benefits, limitations and inherent challenges of developing health tourism, with a focus on how the Igalo Health Center can serve as a locomotive. In accordance with the aim of story telling as a research approach, the respondents told their own stories. To the end of the interviews the open-ended questions focused more on the barriers to achieve a sustainable development of tourism in Montenegro, if the respondents had not highlighted these points during the first stages of the interview.

## **FINDINGS ILLUSTRATED THROUGH A REGIONAL MODEL**

The Igalo Health Center can play a locomotive in health tourism in Montenegro, using technological knowledge with a concentration on routines as the main driver of change. Igalo is in a position where the ability to use routines in the struggle to develop a competitive advantage.

An illustration as to how respondents summed up the impression of the current situation and the future of health tourism in Montenegro, is illustrated in figure one, found below.

### **Figure one /about here**

In order to achieve economic growth we have constructed a conceptual model that we believe is tailor-made for regional development in Montenegro. In order for the management at the Igalo Centre to implement our conceptual model we suggest that Igalo as an entrepreneurial firm should use technological knowledge as the main aim for achieving economic growth. The use of technological routines will, according to our conceptual model, have effects on leadership, which again have effects on value creating processes.

### **Use of technological knowledge**

Most respondents agree Igalo Health Center can be regarded as an entrepreneurial firm in the sense that it can support tourism development in Montenegro (i.e. Best, 2001). With a strong reputation at international markets, the Igalo Health Center can play a main role in the regional development in Montenegro, focusing on health tourism.

Our findings also suggest that change in routines through the use of technological knowledge is the main change agent in transformation processes, being more radical than many contributions that state that technology, simply, can make organizational practices more effective (Barney, 1986; Orlikowski, 1993, 2000; Szulanski, 2000). It is acknowledged that technology is a trigger for changing organizational routines (Barney, 1986; Szulanski, 2000).

Igalo can center its attention on sets of techniques to cultivate valuable and commercially viable products and services, often referred to as the exploitation of knowledge (i.e. March, 1991; Leonard-Barton, 1992). It is within traditional medicine a large part of Igalo's business is generated.

Igalo can also continually acquire a diverse set of knowledge that can serve as seeds for future competitive advantage, in the business literature often referred to as the exploration of knowledge (i.e. Nelson and Winter, 1982; March, 1991). Psychological treatments and SPA treatments can be regarded as possible growth areas for Igalo. Research supports the idea that technological renewal occurs through a dual process where long periods of incremental evolutionary changes in technology (Daniel et al.,

20002; Waarts et al, 2002; Freel, 2003), is followed by discontinuous technological innovations that reshape the regional landscape (Baum, 1996). Compared to experiences from the corporate world in other parts of the world, this finding might not come as a surprise. For example, a representative from Siemens mentioned that new technologies generally take a long time to develop. It is a typical trial and error process, where long periods of frustration continue with breakthroughs that again lead to feelings of defeat.

When routines change as a result of the use of technology, it has been argued that the effect is greatest when professionals work closely together (Orlikowski, 1993). This also involves learning different roles (Orlikowski and Hoffman, 1997), making numerous small adjustments to facilitate technology implementation (Leonard-Barton and Deschamps, 1998).

Our findings support such viewpoints, however in a more practical way than often highlighted in the business literature. Montenegro is a small country with a population of around 750 000 people. Personal relationships are critical to get things done. Such relationships can serve as points for resolving conflicts, discussing future developments, guiding interactions, and enhancing information flows (i.e. Boersma et al, 2003).

The negative parts of focusing at routines we also confirmed. Respondents mentioned that the use of routines can reinforce status quo (Nelson and Winter, 1982; Levitt and March, 1988), giving rise to a self-enforcing cycle of stability (Orlikowski, 2000). Routines can thus provide a source of resistance to change, and remain an under-explained factor in the technology and organizational literature (Edmondson, 1999). It was particularly mentioned that if Igalo Health Centre will continue its strong position at international markets, the use of organizational routines might be regarded as a source of achieving a competitive advantage.

## **Leadership**

There are many reasons why today's business leaders have higher profiles than ever before. One is that business plays a much bigger role in our lives than it used to, and that leaders are more often in the spotlight. Another reason is that the business world is experiencing enormous changes calling for a need for strategizing the leadership role. Economic and political turbulence with accelerating internationalization, continuous improvement of technologies and deregulation of markets have a profound impact on the leadership role. As a consequence, firms have to organize their operations in new ways, in this context with a focus on how technology can be used in transformation processes.

Respondents also mentioned that leaders can hold a particular cognitive framework about a technology this is likely to affect leaders perception of the meaning and the implications of a given technology (Edmondson, 1999). While many respondents mentioned that firms in Montenegro are used to old-fashioned use of technology back in the communist era, the adaptation of new technology from abroad is getting much more common.

Technology implementation often requires experimentation, using trial and errors as means to find satisfactorily solutions (Thomke, 1998). Thus, psychological safety by



taking interpersonal risks to be taken without fear of material or reputation harm can facilitate collective learning in technology implementation processes, where also mentioned by more than half of the respondents (Orlikowski, 2000).

### **Value creation**

The process of creative destruction, facilitated by episodic changes in technical regimes, was positioned by Schumpeter (1942) to be the key endogenous driver of economic growth in capitalist systems. Recently, several studies have linked measures of regional entrepreneurial activity to regional economic growth (e.g. Audretsch and Fritsch, 2002; Acs and Armington, 2004), suggesting that renewal is driven by value creation within firms.

The major of those interviewed confirmed that the health center Igalo can have a positive effect on other value creation processes. Respondents were of the opinion that health tourism can provide supplementary incomes to local communities. Local crafts and arts, such as wine-making, have also to a certain degree been revitalized, again providing extra incomes to farmers. Maybe, even more important for the long-term regional development in Montenegro, is that younger people, through not returning to their home villages, are showing more interest in regional life and are visiting rural areas to a greater extent than in the past. Not surprisingly, many respondents referred to a lack of attractions in regions in Montenegro. There is lack for restaurants and hotels in the surroundings of the Igalo center.

Respondents mentioned that the health center Igalo can have positive effects on regional development, but that smaller tourism players often will have problems in their marketing. Many players are not satisfied with efforts initiated from The Ministry of Tourism, and that there seem to be a lack of profile when actors try to market their offers together. As a result, a number of actors try to market themselves individually, primarily through the Internet.

In spite of the fact that personal interactions are high within the tourism industry in Montenegro, lack of trust was reported to be a problem. Building trust is a long journey; however it seems as the only avenue that can be followed to meet an increasingly dynamic and turbulent business environment.

In the journey in order to build a greater degree of trust, we are of the opinion that the value dialog framework as a new value configuration, focusing on situations when the complexity is high, internally and externally, can shed light on how actors can become better in their communication efforts.

However, the value dialog, according to our thinking, is based on the assumption that communication becomes vital for achieving economic growth within a region. The value dialog can best functioned when it is combined with the value configurations the value chain analysis, the value shop analysis and the value network analysis. Value chain analysis is a method for decomposing a company into strategically important activities and understanding their impact on cost and value (Porter, 1985).

We are of the opinion that the value chain logic is most suited for traditional management practices. Based on Thompson's (1967) typology of long-linked, intensive

and mediating technologies, Stabell and Fjeldstad (1998) explored the idea that value chain models are suitable for long-linked technologies, value shop analysis can be used where value is created by mobilizing resources and activities to resolve a particular customer problem, while in the value network analysis firms create value by facilitating a network relationship between their customers using a mediating technology.

## **SUMMARY**

It is evident that, although health tourism in Montenegro is met with some degree of success, there remains a significant distance between aspirations and objectives met. On one hand, a number of tourism firms, such as airlines, hotels, restaurants and tour operators see clearly the advantages of a focus on health tourism, both economically and culturally.

On the other hand, however, a problems with challenge the received benefits of health tourism, have been identified. Primarily, as is common in other parts of the world where health tourism is seen as a mean for regional economic growth, the incomes have been lower than expected. Montenegro also faces a new competitive environment as other countries clearly see the advantages of focusing on health tourism, using a regional framework.

These problems point to a number of lessons for the development of health tourism. Firstly, an underlying problem in Montenegro is that the expectations in health tourism in terms of the number of visitors, incomes generated, and the contribution on a stronger focus on rural generation might have been unrealistically high.

Furthermore, central guidelines and control seem necessary to make sure that health tourism can be an avenue to pursue for Montenegro. There is not only a need for conformity in service deliveries, but it is also important to ensure a critical mass so that regional economic growth can be achieved. In contrast to traditional thinking, we are of the opinion that there exist relevant skills in local communities to focus on health tourism; however, a major challenge is to attract new and higher-spending segments of the foreign markets.

Finally, there is little doubt that health tourism can be an effective vehicle of socio-economic regeneration in Montenegro. At the same time, not only should care be taken to place excessive reliance on health tourism, but also search for government support through European Community-funds. Health tourism is a growing market worldwide, due to a stronger focus on health in richer parts of the world. In the former Eastern Europe, tourism can be employed as an engine o economic growth and diversification into rural areas (i.e. Hall and Jenkins, 1998). Further research on how Montenegro can use rural approaches in order to attract more foreign visitors can be one avenue that can be followed.

## **CONCLUSION**

We have illustrated that the Igalo Health Center can play a main role as a dynamo in the development of tourism in Montenegro. For this purpose we have used a number of approaches related to qualitative methods.

We regard technology as the main change agent at a regional level in Montenegro, where the Igalo Health Center might play a main role. A good use of technology can not only attract more foreign guests to Igalo, but also have positive effects on the communication among business and public sector actors.

We recommend Montenegro to use technology found in the business world, preferable state-of-the-art-solutions, that that help the country to move rapidly into a more economic healthy situation.

In the first stage the centre will probable use knowledge in a trial-and-error basis using technology to change routines. In the longer run changes in routines is assumed that make changes in strategic leading to economic growth not only for Igalo but for the region in which the center is a part.

Further research is necessary in order to find more how actors in the regions can co-operate in networks, paying attention to routines. While the leadership approach in Montenegro traditionally has been rather traditional, a more international focus will mean than more intangible aspects moving beyond clear economic parameters also must be of relevance. We are of the opinion that value creation can focus on economic parameters but that this will not be enough as tourism development also has social aspects, including culture.

The development of tourism development in Montenegro can be seen in a broader economic and social context. In regions with established tourism sectors, its is a logical means of concentrating the tourism offering into packages where a given region has a competitive advantage. In order to compete at the international stage, a campaign from the public sector will most likely be welcome.

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