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MASTER'S THESIS

SUSTAINABILITY STRATEGY FOR TOURISM INDUSTRY IN MONTENEGRO

Ljubljana, May 2019   VANJA ABRAMOVIĆ

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LIST OF ABBREVIATIONS

CSR – Corporate Social Responsibility
EU – European Union
GDP – Gross Domestic Product
NSSD – National Strategy for Sustainable Development
SA – Strategic Activity
SDG – Sustainable Development Goals
SO – Strategic Outcome
TBL – Triple Bottom Line
UN – United Nations
UNEP – United Nations Environment Programme
UNWTO – United Nations World Tourism Organization
US – United States
WCED – World Commission on Environment and Development
WTTC – World Travel and Tourism Council

INTRODUCTION

Tourism is the world's fastest growing industry, and is seen, especially in developing countries and regions, as one of the means of economic development (UNEP & UNWTO, 2005). In 2016, tourism has contributed to a global economy (directly, indirectly and induced) with over 7.6 trillion U.S. dollars, i.e. direct economic impact of the industry was around 2.3 trillion U.S. dollars that year (The Statistic Portal, 2017). However, from the second half of the twentieth century, tourism brings with it considerable impacts on natural, cultural and social environments (UNEP & UNWTO, 2005). It is hard to directly quantify the impacts from tourism activities, however water scarcity, due to hot climate in dry regions like the Mediterranean, so tourists have tendency to consume up to 440 liters a day (UNEP, 1999). Deforestation (due to fuel wood collection and land clearing) and pollution (air transport, etc.) are other evidences, i.e. studies have shown that one trekking tourist in Nepal and area, who is suffering the effects of deforestation can use four to five kilograms of wood a day (UNEP, 1999). Examples of socio-cultural impacts are migration of habitants from isolated areas to more developed areas, disrupted way of living of local people (Theobald, 2012). These impacts have influenced wider society to change its understanding of tourism.

Goeldner and Ritchie (2012, p. 25) state the following: "Tourism development should be part of an economic development and must be done in a manner that is sustainable". There are many definitions of sustainability that vary due to environmental ideology, but for the purpose of this thesis we will refer to it as the capacity for continuance (Sharpley, 2000). The concept of sustainable development has emerged in 1980s as "development that meets the needs of the present without comprising the ability of future generations to meet their own needs" (WCED, 1987, p. 43) by the Brundtland Report. In most cases, when organizations and businesses insert their concerns about social and environmental issues in the context of sustainable development, they would refer to it as Corporate Social Responsibility (hereinafter: CSR). The earliest definition of CSR concept is Carroll's (1979) pursuit referring to it as a company's obligation to be accountable to all of its stakeholders in considering four aspects or dimensions: economic, legal, ethical and philanthropic beyond a simple profit-orientation (Carroll, 1999; Dodds & Joppe, 2005).

Unlike CSR, the Triple Bottom Line (hereinafter: TBL) developed by Elkington (1998) integrates environmental, social and financial issues. It can be seen as a return to capital investment when evaluated and measured alongside three mentioned dimensions (Sauvante, 2001, p. 2).

The tourism industry has been criticized for being focused on short-term profit maximization instead of pursuing long-term sustainability (Swarbrooke, 1999; Mowforth & Munt, 2009). Dwyer (2005, p.2) argues "interestingly, for tourism as an industry that, perhaps more than others, extols the virtues of sustainable development at all levels, there seems to be little

awareness of the existence of TBL or its relevance to the achievement of sustainable development". The interference between society, environment, and economic development, on the one hand, and tourism, on the other hand, should represent incline towards corporate sustainability and sustainable development.

Sustainable tourism concept has been developed by the WTO in the context of the United Nations sustainable development. In the last decades, the concept of sustainable tourism development has gained attention and widespread acceptance among tourism academics and practitioners as a desirable objective of tourism development policy and practice. Nevertheless, the concept behind sustainable tourism and linkage to sustainable development remains questionable and underexplored (Sharpley, 2000).

Today, sustainability has become an imperative for companies to minimize risks related to pollution, product quality, safety and unacceptable actions by suppliers outside of their home locations. However, on other hand, companies like The Home Depot with its Eco Options line, and GE with its commitment to Eco Imagination, have searched for new opportunities inspired by these risks and uncertainties. Innovative practices inserted into a strategy framework could capture and seize sustainability opportunities (Bekefi & Epstein, 2008).

Sustainable development at global level is defined through UN's 2030 Agenda with 17 sustainable development goals. These goals are focused on, among other things, human dignity, regional and global stability, healthy planet, fair and resilient societies, prosperous economies etc. In the Brundtland Report, global sustainable development requires meeting every person's essential needs and extending to the opportunity to satisfy their aspirations for a better quality life. However, the needs and lifestyle are socially and culturally determined, therefore the consumption standards should be within the ecological possible bounds. When it comes to European Union, the sustainable development has been highly presented at the center of European project, i.e. "since 2010, sustainable development has been mainstreamed into the Europe 2020 strategy, confirmed by the current Commission and built around education and innovation ("smart"), low carbon emissions, climate resilience and environmental impact ("sustainable") and job creation and poverty reduction ("inclusive")" (European Action for Sustainability, 2016, p.2) by European Commission. The EU has also agreed to be frontrunner in implementing the established 2030 Agenda that is for sure consistent with already established Europe's vision. In developing countries, however, sustainable development is lacking behind the established UN's Agenda goals.

Montenegro is one such example. It is regulated by both international entities and their local government's entities such as Ministry of Sustainable Development and Tourism. The main duties of this Ministry are integral planning, directing and valorization of the landscape, sustainable development, realization of sustainable development projects, giving professional, organizational and administrative support to National Council of Sustainable Development, etc. Tourism in Montenegro is one of the priority economic branches, as from

2005 to 2015 revenues generated from tourism activities, recorded a growth of 4 times. Impressive growth continues also in 2016 with 6% increase of number of recorded tourists compared to 2015, directly contributing to 11% of GDP.

So far, tourism was regulated by three strategic documents. The first one to mention is Tourism Development Strategy until 2020 produced by Ministry of Tourism and Protection of the Environment in 2008 (original title: Strategija razvoja turizma Crne Gore do 2020. godine). Using the principles and goals of sustainable development, the document aims to create strong position as global high quality touristic destination. Tourism for Montenegrin habitants is expected to provide sufficient employment and improved living standards, in addition to stable and reliable ways for generating revenues (Ministry of Tourism and Protection of the Environment, 2008). The second one is the Master Plan formed in 2001 under the Stability Pact for South-East Europe, the German Federal Ministry for Economic Cooperation and Development (BMZ), the German Development Finance Agency, the Deutsche Investitionsund Entwicklungsgesellschaft mbH (DEG) in close cooperation with the Government of Montenegro, its authorities and experts (original title: Master plan - Strategija razvoja turizma Crne Gore do 2020. godine). The main goal is to contribute to economic prosperity of the country in accordance with economic, ecologic and social principles. More specifically, to create sustainable, high quality and diversified tourism offers and products that will enable revenue growth and number of tourist growth, further labor growth and higher living standards.

The third document is the National Strategy for Sustainable Development of Montenegro by 2030. It is a long term development strategy of Montenegro which presents "solutions for sustainable groups of national resources: human, social, natural and economic ones, which are set as priorities of the overall sustainable development of the Montenegrin society" (NSSD, 2016). Tourism in the document has been identified as an economic sector with the most potential for improvements when it comes to greening economy and increased resource efficiency.

The purpose of this master's thesis is to help Ministry of Sustainable Development and Tourism in Montenegro to manage sustainability risks and impacts more successfully. The main **goal** is to develop a proposal of national sustainability strategy for the tourism industry 2020–2030 that could be used to align other industry sectors and businesses. This thesis is driven by the following **research question**: "What are the key elements of Sustainability Strategy for Tourism Industry in Montenegro?" More specifically, the thesis will try to answer the following questions:

− What are the attitudes of tourism business managers in Montenegro towards sustainability?
− What is destination statement for tourism industry in Montenegro by 2030?

– What should be the key strategic activities in Montenegro sustainability strategy for tourism 2020–2030?

A review of the academic and professional literature on the relevant topics was made in the theoretical part of the thesis (academic web-databases, such as Science Direct, Sage, Sci Hub, etc.). In the empirical part, regulation related to tourism and country's strategies was analyzed by addressing sustainable development proposed by Ministry of Sustainable Development and Tourism. This included national strategic documents such as Master Plan formed in 2001, Tourism Development Strategy until 2020 and National Strategy for Sustainable Development until 2030. Further on the questionnaire was developed to gain understanding of the attitudes towards sustainable business practices in tourism industry in Montenegro. The data obtained were analyzed with the SPSS program, where descriptive, bivariate correlation was performed. The results were used as a guide in adding / deducting relevant sustainability practices in Montenegro tourism industry. At the end, I conducted in depth semi-structured interview with tourism practitioners. All previously obtained was used to develop the sustainability strategy for tourism industry in Montenegro 2020–2030 by using the method of Balanced Scorecard 3rd Generation.

This master's thesis is structured as follows: the first two chapters are devoted to the definition of the concepts of sustainable development and sustainable tourism and what actually sustainability represents in tourism industry. The third chapter reflects the current state of tourism industry in Montenegro with elaboration of three national documents that regulate the industry in the country. The last chapter elaborates the questionnaire and interview findings, generating the sustainability strategy for tourism industry in Montenegro 2020–2030 proposal as an improvement of the current state with indicated challenges for strategy implementation. In conclusion, the main findings and recommendations based on the thesis outcome will be summed up.

1 THE CONCEPT OF SUSTAINABLE DEVELOPMENT

The concept of sustainable development is clear enough, however an exact and unique interpretation and definition has brought up complexities and strong debates among academics and practitioners (Ciegis, Ramanauskiene & Martinkus, 2009). So far literature has proposed more than 100 different definitions (Jacobs, 1995), and certainly that people from different fields are using the term of sustainable development in different contexts with opposing concepts and approaches (Cesar, 1994). Practitioners have criticized ambiguity and contradictory of the concept, i.e. the concept itself has an absence of conceptual clarity generating variety of interpretations of its purpose and focus (Lele,1991). Despite the inherent ambiguity of the concept, Lele (1991) suggests to explore the sustainable development and its philosophy by evaluating two components equally and separately, i.e. sustainability on one side and development on the other. Another similar suggestion is from

Sharpley (2000) sustainable development concept as a fusion of two schools of thoughts: development theory and environmental theory.

Definition of sustainability depends on the context, if it is economic, ecological or social. Brown, Hanson, Liverman and Merideth (1987) stated that many people have defined sustainability as carrying capacity, i.e. maximum population size that the environment can handle and sustain on a continuing basis. Further, many researchers refer to development as an economic growth and it could be defined as a process and a goal to move from one condition to desired condition (Sharpley, 2000).

Ciegis and Zeleniute (2008) have stated that different subjects have defined sustainable development differently:

- In economics it is a development that ensures per capita income of future generation, it is not lower than ones of the present generation;
- In sociology it is a development that preserves the community and social relationship within; and
- In ecology it is a development that preserves the biological diversity of the species, ecosystems and ecological processes.

Sustainable development emergence is useful to determine the change in human act and their perception of responsibility and roles, and also the change in providing basic resources for a living to a complex, interconnected human development. As per limits, the concept of sustainable development refers to ones caused by the present state of technology and social organization on environmental resources and by the ability of the biosphere to absorb the effects of human activities (WCED, 1987, p.8).

OECD (2008, p. 30) has defined the sustainable development as following:

- A conceptual framework: a way of changing the predominant world view to one that is more holistic and balanced;
- A process: a way of applying the principles of integration – across space and time – to all decision; and
- An end goal: identifying and fixing the specific problems of resource depletion, health care, social exclusion, poverty, unemployment, etc.

Difficulties to define the concept and different approaches show that sustainable development is complex and multi-domain issue and some researchers call sustainable development an 'oxymoron' by further describing it as fundamentally contradictory and irreconcilable (Kates, Parris & Leiserowitz, 2005). We will refer to sustainable development at some point as to sustainability.

1.1 Evolution of Sustainable Development

Key themes and issues that are in the center of discussions dating from the twentieth century are peace, freedom, development and environment, but for the last 40 years' environment gained attention to national and international institutions and laws (Kates, Parris & Leiserowitz, 2005). The concept of **sustainable development** has emerged in 1980s and it is defined as "development that meets the needs of the present without comprising the ability of future generations to meet their own needs" (WCED, 1987, p. 43) by the Brundtland Commission's report "Our Common Future". Two key concepts that sustainable development is reflected on, are concepts of 'needs', i.e. essential needs, and an idea of limitations arising from technical and social structures' effect on the ability of the environment to meet the current and future needs. The main point of this definition is fair and equal distribution of natural resources among different age generations and among present generation from the first, second, and the third world, as well as achieving a harmony between the economic, environmental and social dimensions of an environment. The development goal can be described as an establishment of secure, appropriate, wealth life for all current and future generation, whereas sustainability goal is accomplishment to live and work in accordance with environmental limits (WCED, 1987).

Following the report, international institution The United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992 called "Earth Summit" issued a declaration of principles, known as the Agenda 21. Agenda contained the established desired actions, international agreements on climate change and biodiversity, and a statement of principles on forests. Decade after the World Summit on Sustainable Development in Johannesburg, South Africa had corroborated the commitment to sustainable development, stating it as the central mission and goal of numerous international organizations, national institutions, corporate business, so called sustainable cities, etc.

Three dimensions or performance categories of sustainable development had emerged- environmental, social and economic performance (Figge, Hahn, Schaltegger & Wagner, 2001; Epstein & Rejc Buhovac, 2014). Even though some researchers refer to this conceptualization as a lack of theoretical approach, from 2001 is presented as s a 'common view' of sustainable development (Giddings, Hopwood & O'brien, 2002). The idea was to set social and environmental dimensions equal to economic dimension. Even though separately these dimensions are contradicting and competing and many can perceive them as trade-offs, however sustainable development implies consistence of all three objectives (McAllister, 1984). Three dimensions are inter-related and inter-dependent and it is obvious throughout the history that human well-being depends on ecosystems and their capacity. These dimensions are not fixed and predetermined, however Kates, Parris and Leiserowitz (2005) suggests that fast pace of globalization indicates the need for broaden approach of economic development and environmental protection, as well as alternative notions of development, i.e. human and social.

1.1.1 Sustainable Development at the Global Level

Sustainable development operates at macro- and micro-levels, whereas the macro-level refers to social and economic policies that enhance environmental protection, social well-being and economic justice development (Faux, 2005). The UN and other international organizations made attempts and initiatives to define and bring the sustainable development concept forefront globally and in this chapter we will refer to United Nations General Assembly Agenda set in 2015 with full name "Transforming our World: the 2030 Agenda for Sustainable Development" (hereinafter: The 2030 Agenda). The 2030 Agenda integrates the three dimensions of sustainable development through introduction of 17 Sustainable Development Goals (hereinafter: SDGs) with separate list of concrete targets for each goal, total 169 targets. These goals are built upon and broaden from previous Millennium Development Goals of 2000 with an aim to improve the living state of the world's poorest people. SDGs cover global issues regarding social and economic development including concerns for environment and they are the following: no poverty, zero hunger, good health and well-being, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption and production, clime action, life bellow water, life on land, peace, justice and strong institutions and partnerships for the goals (UN, 2015).

As the new Agenda was adopted by UN member states, this will represent a common reference with unique monitoring and evaluation process, hence all countries, developed and developing alike, are supposed to participate. Initiatives such as global partnership, mobilization of all means and resources for implementation and mechanisms for following and reviewing need to advocate the progress of the 2030 Agenda. On the other side, regional institutions have defined their own agendas (e.g. Agenda 2063 for Africa) and the most of developing countries have their own long term strategies and visions that will not revoke by committing to the 2030 Agenda (UN, 2015).

Although the new approach set the clear goals there are few drawbacks regarding governance through the goals. SDGs are grounded in international law, but there is no legal binding for governments to incorporate them into their own national legal system. Further on, Biermann, Kanie and Kim (2017, p. 2) state that governance of SDGs functions through weak institutional arrangements at the intergovernmental level, meaning that the institutional oversight is left rather vague. Another identified drawback is qualitative approach of many targets, leading to government's freedom to determine their own ambition in implementing the goals. Aside mentioned difficulties in the governance and measuring the all 17 SDGs, this new approach is considered as one of the most captivating global initiative in the area of sustainable development and environmental policy (Biermann, Kanie & Kim, 2017).

1.1.2 Sustainable Development at the European Union Level

Sustainable development also gained practice among European Union Treaties by addressing together its economic, social and environmental dimension. In order to meet the current needs and preserve the future, throughout the history EU Sustainable Development Strategy firstly was launched in 2001, revised in 2006 and 2009. Since then sustainable development has been incorporated into the Europe 2020 Strategy.

Europe 2020 strategy has clearly defined its three mutually priorities as an enhancement of life in Europe and its economy, i.e. smart growth, sustainable growth and inclusive growth. European Commission (2010, p. 8) refers to "**smart growth** by developing an economy that is based on knowledge and innovation, **sustainable growth** by promoting a more resource efficient, greener and more competitive economy and **inclusive growth** by fostering a high-employment economy delivering economic, social and territorial cohesion."

EU member states agreed on setting a limited number of representative targets, in total eight, that are interrelated and ranging from reducing unemployment, poverty and social inclusion, to invest in cleaner technologies, climate change, education improvement, and increase investment in research and development or innovations. In the Figure 1 presented below the eight targets are further divided in the five interconnected thematic areas: employment, education, poverty and social exclusion, climate change and energy, R&D and innovation (Eurostat, 2017). In order to achieve mutual goals, EU governments have translated EU targets into national targets and they are part of annual national reform programs. Also EU has a broad range of policies and instruments as well as external policy tools to follow and make certain progress towards EU 2020 Strategy.

Figure 1: Europe 2020 Strategy Key Areas
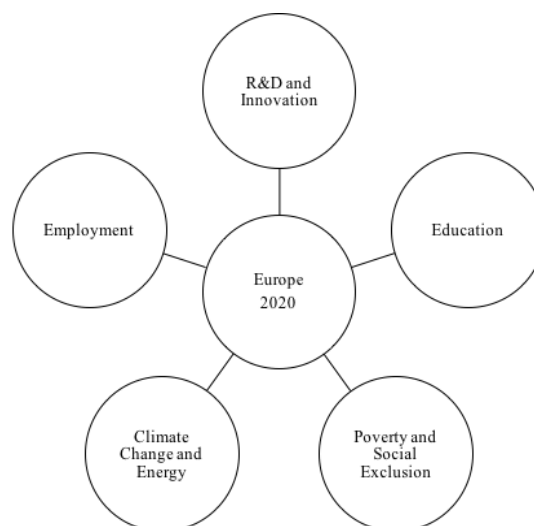
Source: European Commission (2016a).

The European Commission has put forward seven flagship initiatives to induce the progress towards The Europe 2020 Strategy: 'Innovation Union', 'Youth on the move', 'Digital agenda for Europe', 'Resource efficient Europe', 'An industrial policy for the globalization era', 'Agenda for new skills and jobs' and 'European platform against poverty and social exclusion' (European Commission, 2010). The EU 2020 Strategy is in accordance with the 2030 Agenda and many of the SDGs are already pursued through the EU's policies. EU has developed two work streams for further integration of SDGs. European Commission (2016b) in communication called "Next steps for a sustainable European future" where the first work stream includes incorporation of the SDGs in European policy framework and revisiting the most relevant sustainability issues. In the second work stream the work after 2020 will be revised and European Commission can develop longer term vision and implementation of the SDGs. European Commission (2016b) claims that right policy choices are needed in order to preserve the planet and its environment, following a fair share for all and especially the younger generation. Therefor new policies have made 'from the ground' coherence with sustainability and implementation, should be pursued in the partnership of all involved stakeholders.

1.2   Triple Bottom Line

1.2.1   Concept Definition

Sustainable development defined in Brundtland Report, according to some authors, showed closed relation to the concept named Triple Bottom Line (hereinafter: TBL), though wrong and alternately usage of both terms creates confusion. Sustainable development focuses on incorporating a forward thinking approach by any entity, from an individual to business. TBL approach is meant to be used as a method of business accounting, reporting and decision-making framework, but also the idea was that its implementation in corporate business would result in sustainable development embracement (Elkington 1997; Faux, 2005). Therefor in this subchapter we will refer to TBL concept and its usage in tourism industry.

TBL was developed by Elkington (1998) and it integrates environmental, social and financial issues. The concept and term itself originate from management science, and Elkington predetermined it as a framework to operationalize corporate social responsibility by adding to traditional, economic bottom line known as 'Profit' pillar care for the environment or 'Planet' pillar, and take part in providing better living conditions for humans, 'People' dimension, all together known as 3P's of TBL concept (Kuhlman & Farrington, 2010). Dwyer & Kemp (2004) explain that any business first must make financial gains or 'Profit' if it wants to proceed with sustainability on long term. The second pillar, 'Planet' explains usage of all resources, from raw material to plants, animals, etc. The third pillar or 'People' is mostly related to business's relationship with employees, customers, the legal system, local community and all governmental frameworks created for business's operation.

TBL reporting opens a possibility to establish principles by which any business should operate. Nevertheless, this type of reporting is not legally binding and it is adopted and pursued voluntarily with an idea of measuring, auditing and reporting an organization's responsibility to its stakeholders in the same way as financial reporting (Norman & MacDonald, 2004). However, we can conclude that without holistic, rather than merely profit function of the entities, sustainability will not exist among business.

The TBL concept still remains under-research and among researchers exist different opinions about TBL approach as an appropriate and valid tool for sustainability reporting. Some have positive attitude towards TBL approach, however Norman & McDonalds (2004) think it is "unhelpful addition to corporate social responsibility". Dwyer (2005) has listed benefits of TBL reporting in five categories: efficiencies and cost savings, improved market positioning, better stakeholder relationships, improved "strategic" decision making, and "wider" community benefits. However, difficulties vary from identification and selection of suitable indicators, adoption of an appropriate framework for TBL accounting and monitoring, and the understanding of the TBL implementation costs (Dwyer, 2005), to reporting just positive performance aspects (Faux, 2005) to finding and agreeing about a common scale for weighting the performance (Norman & McDonald, 2004).

A common unit of measure of TBL pillars does not exist, so some researchers proposed to monetize, i.e. have a dollar measurement, in order to quantify the effect and outcome of each pillar individually. Another approach is to quantify the TBL in terms of an index, leading to better comparisons between entities. For example, The Genuine Progress Indicator incorporates 25 variables converted into monetary units and summed into one monetary measure for all, economic, environmental, and social factors (Slaper & Hall, 2011). The main idea that came from Norman and MacDonald (2004) is to have reporting similar to standards around the financial, the social and the environmental dimensions of entity's life. For example, some indicates that there was a motive behind the Global Reporting Initiative, an independent organization (hereinafter: GRI), to develop the voluntary reporting guidelines with more than 50 indicators (Moneva, Archel & Correa, 2006). GRI for economic category includes following indicators: economic performance, market presence, indirect economic impacts, and procurement practices, whereas the environmental category includes materials, energy, water, biodiversity, emissions, effluents and waste, transport, supplier environmental assessment, environmental grievance mechanisms.

Last, but not the least the social category is divided into four different categories with total of 30 indicators: labor practices and decent work, human rights, society, and product responsibility (Global Reporting Initiative, 2014). Even though GRI reporting guidelines will be supported by any firmer governmental policy, yet it seems that it doesn't promote ecological thinking and literacy (Milne & Gray, 2013).

1.2.2   Triple Bottom Line Approach in Tourism Industry

The TBL approach seems to be unexplored in the tourism literature, and its philosophy underused in the tourism industry as well. Researches show that TBL reporting has an impact on hotel performance (Assaf, Josiassen & Knežević Cvelbar, 2012). If we consider TBL as a return on social capital, Hall (p. 136, 2000) recognized its relevance to tourism as "the manner in which tourism and travel effect changes in collective and individual value systems, behavior patterns, community structures, lifestyle and quality of life". So far many researchers used TBL approach as a basis for further development of tools for different sectors of tourism industry.

So far several studies have evaluated the importance of TBL reporting in tourism industry, especially in the hotel sector (Bohdanowicz & Martinac, 2003). Knežević Cvelbar and Dwyer (2013) argue that TBL reporting should become part of operations on daily basis and that international tourism businesses have clearly incorporated TBL philosophy in their long term strategies. They also tried to list some of the challenges in implementing the TBL reporting, such as employee satisfaction, environmental awareness, usage of resources. Further, Knežević Cvelbar and Dwyer (2013) have assessed the relevance of TBL in tourism industry by examining if the hotel's performance would be improved by increasing the TBL reporting. The research was done on a sample of 124 Slovenian hotels using the double bootstrap method, where results supported their statement and the research approves high initial investments in proper implementation of TBL approach and philosophy.

Also some initiatives regarding TBL approach in tourism context were made. Mihalič, Žabkar and Knežević Cvelbar (2012) have developed the Hotel Sustainability Business Model (hereinafter: HSBM) as an innovative tool that can be used as a measuring and reporting tool for sustainability awareness of different business bottom lines and their subcategories. The UNWTO's definition of sustainable tourism and Elkington's TBL three pillars model are basis for introduction of this model. They have suggested extending the sustainability model into '3+3 sustainability model' and additional three requirements are customer satisfaction, environmental education and power to implement changes. This model is initially used to study and measure sustainability in Slovenian hotel sector, whereas the results closely indicate monitoring of economic performance comparing to environmental and social performance. So, economic indicators such as profitability and customer satisfaction gained high importance and low importance is signed to environmental education, biodiversity, cooperation with stakeholders. Even though some business in tourism industry still has a little awareness in usage of TBL approach, many national and multinational businesses are taking benefits of the approach creating strong bonds with both internal and external stakeholders.

1.3 Corporate Social Responsibility

1.3.1 Concept Definition

In the past 40 years, it wasn't easy for corporate businesses to understand the concept of sustainable development and to add sustainable practices in their management agenda (Dwyer, 2005). In most cases, when organizations and businesses inserted their concerns about social and environmental issues in the context of sustainable development, they would refer to it as Corporate Social Responsibility (hereinafter: CSR). Moreover, CSR and its idea behind, businesses bearing responsibility to the society and a broader set of stakeholders are referred to as a social phenomenon (Barnett, 2007; Wang, Choi & Li, 2008). The concept of CSR is interchangeably used and confused with other similar, but quite different concepts, such as the sustainable development, triple bottom line, corporate governance, so in the following chapter we will define the concept with its main characteristic (Carroll & Shabana, 2010; McIntosh, 2003).

There are many definitions of CSR due to different industries and stakeholders' perception, but mainly researchers refer to CSR as 'sustainable development for businesses' where a business voluntarily has a goal of balancing the three dimensions or the pillars from TBL approach. (Moneva, Archel & Correa, 2006; O'Rourke, 2003). The previous states that CSR is a miscellaneous concept without unified and a single definition. Due to many definitions from many fields, two main ideas are behind the definition of the CSR concept, whereby the first considers that corporations have responsibilities more than making a profit, and the second idea is that companies have responsibilities not only to their shareholders but also to the broader, external group of stakeholders (Godfrey & Hatch, 2007; Wheeler, Colbert & Freeman, 2003). For the first idea the definition from the Commission of the European Communities (2001, p. 2) is used as a common one stating that CSR is "a concept by which companies integrate social and environmental concerns in their operations and in their interaction with stakeholders on a voluntary basis". This basically means that a business incorporates socially responsible practices and should embrace community by investing in it, providing and creating opportunities to improve the current living standards, taking care of the natural resources and environment. The second idea by Hopkins (2003) summaries the essence of CSR, for both people inside the corporation and outside, by creating a higher living standards, while remaining profitable.

The detailed meaning of the CSR concept we can understand through its four dimensions. The four dimension of the CSR firstly were introduced by Carroll's (1991) Pyramid of Corporate Social Responsibility, i.e. economic, legal, ethical and philanthropic, with decreasing importance in that order. The essential and the most important component is the economic responsibility for the business. It is defined as a profit earned on the sold goods and services, which have a long term plan and attractive returns provided to shareholders. The second component, business legal responsibilities refer to all kind of legal obligations needed

to be incorporated in day-to-day operations by laws, federal and state regulations, local governments.

The following in the pyramid's hierarchy is the ethical component that includes all norms, standards that are perceived as fair by all stakeholders, including the incorporation of the moral rights. The last on the pyramid is the philanthropic responsibility, i.e. donations, voluntary activities, etc. everything that is a human welfare or goodwill (Carroll, 1991) as shown and illustrated in Figure 2 below.

Figure 2: Pyramid of Corporate Social Responsibility
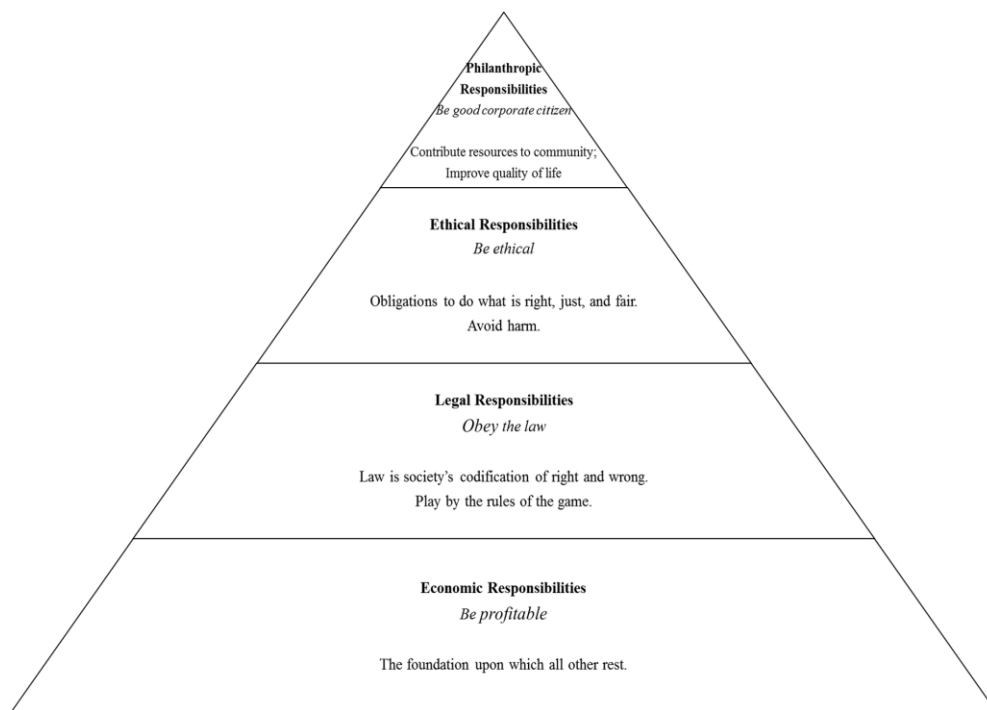
Source: Carroll (1991).

The pyramid and its dimensions doesn't include environmental component that became the main priority nowadays. Some authors agree that the legal responsibility is too broad and unnecessary, as many global businesses need to comply with both local and international laws due to globalization and potential disruption of the image that further might cause negative reactions in costumer's behavior, such as skepticism or lower purchase intentions in some cases (Bhattacharya & Sen, 2004).

1.3.2   Corporate Social Responsibility in Tourism Industry

According to many authors CSR concept gained attention especially within tourism context, as they recognized tourism impacts on the society and environment (Bohdanowicz & Zientara, 2009; Dwyer & Sheldon, 2007; Goodwin, 2011). In the tourism industry, CSR and

its reporting is mostly used by tour operators, whereas hotel industry still lacks its ability to fully understand the concept (Horner & Swarbrooke, 2004; Holcomb, Upchurch & Okumus 2007). Coles, Fenclova and Dinan (2013) in the paper explain that in academic research CSR is still not represented that much comparing to other economic sectors. Further they suggest to be more directly engaged in future tourism development practice, i.e. contribution among practitioners, academics, policy-makers is needed in order to observe potential changes. From 21st century concept of CSR in tourism management has around 50 publications, mainly observed in accommodation and airline sectors, as both had experienced boost in that period with increased influence on the environment (low-cost airlines, platform for individual providers). Lindgreen and Swaen (2010) through extended research of other authors have identified five major fields to benchmark recently scholarly progress on CSR in tourism industry as follows: implementation, measurement, the business case, communications, and stakeholder engagement. Many businesses were under-research for insights and understanding of CSR practices, i.e. international hotel chains, most are originating from United States (Kang, Lee & Huh, 2010; Lee & Park, 2009; McGehee, Wattanakamolchai, Perdue & Calvert, 2009; Sheldon & Park, 2011), Scandinavia (Bohdanowicz, 2007; Bohdanowicz & Zientara, 2009; Bohdanowicz, Zientara & Novotna, 2011; Lynes & Andrachuk, 2008). So many major corporations have tendency towards self-regulation.

Some authors connect CSR and tourism industry through prism of environmental management and reporting, in particularly Asian and European airlines (Cowper-Smith and De Grosbois's 2010). Others like Huimin and Ryan (2011) researched other aspects of CSR, incorporated in cultural and social aspects of a business through 257 Chinese hotel managers with an outcome of different personal behavior and moral codes compare to western culture.

The above mentioned indicates high usage of CSR concept in tourism industry, but still not as fully developed as it should be. Increase in empirical research of CSR in tourism is highly important for academic to share one universal idea of the practice thematically, geographically or sector wise. One idea can be drawn from previous researches, importance of the CSR is no longer examined, only the further steps in finding the most appropriate CSR implementation that will function in a way that every stakeholder would benefit from it. Therefor we should understand CSR as long-term commitment in the current short-term business environment that has prevalence to short-term decision making (Coles, 2013).

2   THE CONCEPT OF SUSTAINABLE TOURISM

Alongside with the other fields of academic study, tourism researches have reacted to the global acceptance and usage of the concept of sustainable development. Further, academic tourism literature started to examine the relationship between tourism and environment in which it operates, inducing the discussion and application of sustainable development philosophy in tourism industry. The theory and practice of **sustainable tourism** concept and the first journal was issued in 1993 under the name 'Journal of Sustainable Tourism'. Today

there is still a belief that tourism researchers have not discussed theoretical aspects of sustainable tourism enough and with no concrete attempt to define it (Sharpley, 2000; Butler, 1999).

The tourism sustainability debate, i.e. usage of the concept of sustainability and tourism together started with sustainable development definition by the Brundtland Report and with defining the five main criteria of sustainable tourism as economic, environmental, social responsibility of tourism as well as concerns about tourists, global justice and equity (Mihalič, 2013; Inskeep, 1991). The sustainable tourism concept has so many different interpretations and no unique definition, leading to general acceptance of the term and in many cases confirmation of some certain phrase but without its implications. Other definitions of sustainable tourism by Eber (1992), Payne (1993), Woodley (1993), Countryside Commission (1995) suggests more or less the same approach by referring to tourism as a responsible that operates between the environmental frames trough effective usage of resource, by taking care of current social organization forms and future productivity of natural resources (Butler, 1999).

Sustainable tourism concept has been developed by the WTO in the context of the United Nations sustainable development process. The concept of sustainable tourism refers to tourist activities "leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems" (WTO, 2004a). The definition is based on three pillars of sustainable development and UNWTO introduced the five pillars and their sub-pillars of sustainable tourism as a base for future researches, projects, etc. Namely the first pillar, *tourism policy and governance*, refers to the policy and regulatory framework to address the predetermined 12 aims for sustainable tourism. (UNWTO & UNEP, 2005). The 12 sustainable tourism goals are: 'economic viability, local prosperity, employment quality, social equity, visitor fulfilment, local control, community wellbeing, cultural richness, physical integrity, biological diversity, resource efficiency and environmental purity' and all of them are described in Appendix 2. The first pillar refers to a clear policy essential for developing sustainable tourism, named *tourism policy and governance*. Second and third pillar, *economic performance, investment and competitiveness* and *employment, decent work and human capital* refer to 'economic prosperity and quality of employment. Poverty reduction and social inclusion* pillar addresses social equity and the last, fifth pillar *sustainability of the natural and cultural environment* refers to preservation of the environment directly and indirectly related to the tourism industry.

According to Liu, Tzeng, Lee and Lee (2013) the main purpose of sustainable tourism is to create the balance between the environment preservation, cultural integrity, social justice and economic benefits while meeting the needs of the host population in short and long term as well. Hall and Mitchell (2005) with Horner and Swarbrooke (2004) added the importance of sustainable tourism in both developed and emerging countries by reaching both

intergenerational and intra-generational balance. In order to achieve sustainable tourism and ensure the high level of tourist satisfaction, the process should be continuous with constant monitoring of impacts and consequent preventive measures. The concept of sustainable tourism is also presented through three-pillars model by Swarbrooke (1999) presented in the Figure 3 below showing the links between each pillar. If we observe tourism impacts, it appears that economic impacts are positive, environmental are negative and social is in between. For example, tourism is sustainable in socio-cultural sense if it is accepted by local inhabitants and perceived as a benefit to majority, e.g. job creation for different level of education.

Figure 3: Three Pillars of Sustainable Tourism
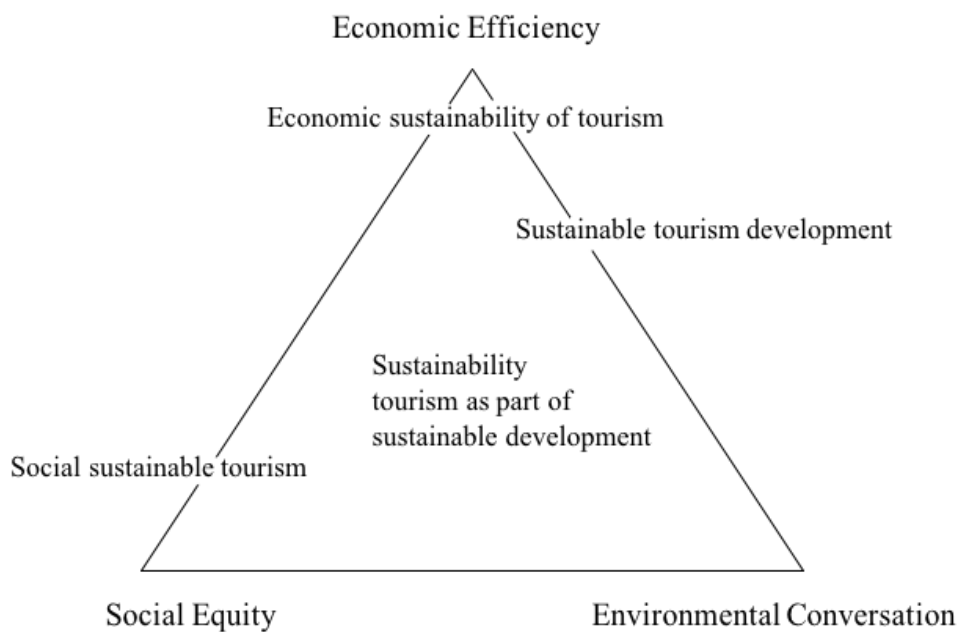
Source: Swarbrooke (1999).

UNWTO (2004) suggests inducing informed participation of all stakeholders in building of the consensus needed for sustainable tourism development. The stakeholders in sustainable tourism according to Swarbrooke (1999) are: **the host community** or those who are directly and/ or indirectly employed in tourism and local business people, **governmental bodies** such as EU, local and national governments, **tourism industry** including visitor attractions, tour operators, retail travel, transport operators, hospitality sector, **pressure groups** or wildlife, environment, workers and human rights, **tourists, media**, **experts** both academics and commercial consultants and last but not the least, **voluntary sector** including non-governmental organization (hereinafter: NGOs) and trusts charities.

Sustainable tourism development concerns six different environments based on their unique characteristics and problems, i.e. coastal tourism, tourism on islands, tourism in the

countryside, mountain region tourism, urban tourism and marine tourism and each of the environments should be more or less sustainable depending on the capacity, development opportunities, etc. (Swarbrooke, 1999). Nevertheless, sustainable tourism should be perceived as a component and desired condition of tourism sector.

Sharpley (2000) argues that between the concept of sustainable development as a holistic approach and nature of tourism exists incompatibility leading to required distinction between sustainable tourism and tourism in the context of sustainable development that will be further discussed in this chapter (Butler, 1999).

2.1 Sustainability in Tourism Industry Globally

Tourism has become one of the fasters-growing sectors in the world and over past six decades the expansion and diversification were continuous. International tourism, a service industry represents around 7% of total world's exports goods and services, whereas global arrivals have increased from 25 million in 1950 to 1,235 million in 2016 (UNWTO, 2017). These facts create an additional concern about the negative effects of tourism activities on the environment that have to be addressed quickly and act accordingly. Compared to the other industries, tourism is dependent on local, national and regional resources of a country, leading to resource depletion. UNWTO (2008) has stated that tourism industry counts for 5% of global CO2 emissions, i.e. or precisely to 4.6% of global warming. Yet, obvious increase in demand for tourism and effects on the environment suggests that planning and effective management is now essential in tourism industry (Cooper, Fletcher, Gilbert, Fyall & Wanhill, 2005).

Coccossis (1996) defined four different approaches of tourism in the context of sustainable development, whereas tourism could be defined as economic sustainability, ecological sustainability, long-term plan for competitiveness and a part of overall development in sustainable strategy of the country. Thus sustainability in tourism industry is often seen as a fundamental part of strategic planning. Many researchers have developed several frameworks for alignment of long-term objectives and sustainability philosophy. Kernel (2005) suggests using four-step model for sustainable development in tourism business, where each step forward is rewarded with a sustainable tourism label for higher public visibility (labels are: good house-keeping, environmental management, front-runners, sustainability, upward order). Four-step model suggests a business should start its sustainability path with basic environmental initiatives implementation. Collaboration between business and project managers is expected in order to reach the final stage (NGO, municipalities or different).

Nowadays many international organizations developed the schemes and frameworks to help countries worldwide in shaping the better future. For example, the five key pillars depicted by UNWTO (2012) are created for developing countries for better assessing of the current situation and issues within each pillar followed by assessing the capacities and skills need.

Afterwards it is important to address opportunities and challenges and analyze needs. The final step is to define the most effective interventions to achieve the previously stated and shape the sustainability in tourism of a certain country.

Sustainability in tourism in last few decades gained importance among researchers and practitioners through creation new laws, regulations, incentive schemes such as Eco labels and other techniques to cope with current global situation on all levels: destination, country, region and world. Many case studies and discussions are presented in academic literature (all of them to some extent urge for enhancement of the sustainability business practices, government regulation, monitoring, etc.).

2.2   Sustainability Indicators in Tourism

Indicators are defined as measures that should identify the possible existence of the risk, issues in our performed actions. Also indicators are used as tool to identify our current position and desired state. (WTO, 2004b; Hart, 1997). Indicators are quite important for tracking intended phenomena and based on what we measure they could be either qualitative or quantitative indicator. Sustainability indicators are perceived in most cases as not quantifiable leaving the room for more subjective approach. However, Miller (2001) argues that the qualitative indicators also provide useful information. In the literature review, many researchers have recognized sustainable indicators' usage in tourism industry (Butler, 1999). Among others exists an opinion that many businesses in tourism are accepting and implementing the sustainability framework to improve its public image and gain profit (Lane, 2009; Sheldon & Park, 2011). The first initiative for sustainability tourism indicators was in 1992 by WTO to address sustainability issues in all levels and it was successful rather on a destination level. Till today various global initiatives were made with a purpose of providing the rationale for sustainability indicators and measurement proposals, such as GRI, The Agenda 21 for Tourism, etc. So far just one sustainability indicator in tourism attempted to quantify the outcome of the actions, i.e. pollution. This is the problem in all industries, but regarding the sustainable tourism concern is on ambiguity of the concept, what to include, how to compare and track social mechanism. Sustainable tourism indicators are more time series information and their purpose should generate the improved approach to sustainability strategy of a tourism destination and further industry. Indicators can exist on different levels of tourism and are interrelated, i.e. *national level, regional level and specific destination, key tourist use site, tourism companies and individual tourism establishmen*t (WTO, 2004b).

The types of indicators can vary and WTO (2004b) addressed ones that are most useful in order to establish the potential issues:

－ early warning indicators, marked as the most useful, e.g. declined number of tourists;
－ indicators of *stress on the system*, e.g. water shortages;

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- measures of the *current state* of industry, e.g. occupancy rate;
- measures of the *impact* of tourism development on natural and socio-cultural environment, e.g. level of deforestation, income level of locals;
- measurement of *management effort*;
- measurement of *management effec*t, e.g. change in pollution level.

From 507 different indicators introduced by WTO, Tanguay, Rajaonson and Therrien (2012) have listed 20 indicators that satisfied their four general selection criteria (usage frequency, reproduction of the coverage of the components of sustainable development from the initial list, correspondence with the main sustainable issues in tourism and measurability of data over time).

In the Figure 4 below is shown an example of aforementioned sustainable tourism indicators from all three perspectives, i.e. economic, environmental and socio-cultural using some of the aforementioned indicators.

Figure 4: Sustainability Indicators in Tourism

Economic Indicators	Environmental Indicators	Social Indicators
• % of income generated by tourism in the community • % of new jobs in the tourism sector occupied by local residents • % of return visits • % of new real estate developments intended for tourism	• Overall water consumption in the tourism sector (or per tourist) • Air pollution Energy consumption • Volume of recycled or treated waste/total volume generated • Number of businesses that acquired an eco-responsible label	• Ratio of tourists to local population at cultural events • Level of satisfaction of the local population • Level of maintenance of heritage sites • Number of visits to heritage and cultural sites

Adapted from Tanguay, Rajaonson & Therrien (2012).

Miller (2001) has conducted a research using Delphi method to examine the need for sustainability tourism indicators to measure movement from tourism product level to more sustainable level. The respondents agreed on the need for sustainability indicators, however the opinion on the range of indicators varied alongside with appropriate measures. The process of developing indicators, no matter the purpose and industry, should help in determining important principles and measures.

2.3 An Overview of Investments in Tourism Industry in EU

Tourism industry is surely one of the major industries and it requires support at all levels in order to remain competitive and face outside the EU competition. Travel and tourism directly contributed to European economy an estimated 782 billion euros to GDP in 2018 and 14.4 million jobs through direct employment in the sector. The boosting investments in tourism industry contributed to increased number of international tourist, i.e. reaching over 670 million arrivals by 2017. According to The Statistic Portal (2018) the southern/Mediterranean region of Europe is the most popular destination region in terms of international arrivals, followed by Western Europe.

European Union made capital investments in tourism industry worth around 169.7 billion euros in 2018 or 4.9% of total EU investments. The investments were increased by 6.3% and it is projected that till 2020 investment will slightly decrease by 3.7% as shown in the Figure 5 below. As a percentage of total GDP, EU has invested 0.90% in tourism industry in 2018.

Figure 5: EU Investments in Tourism Industry (Percentage Growth)
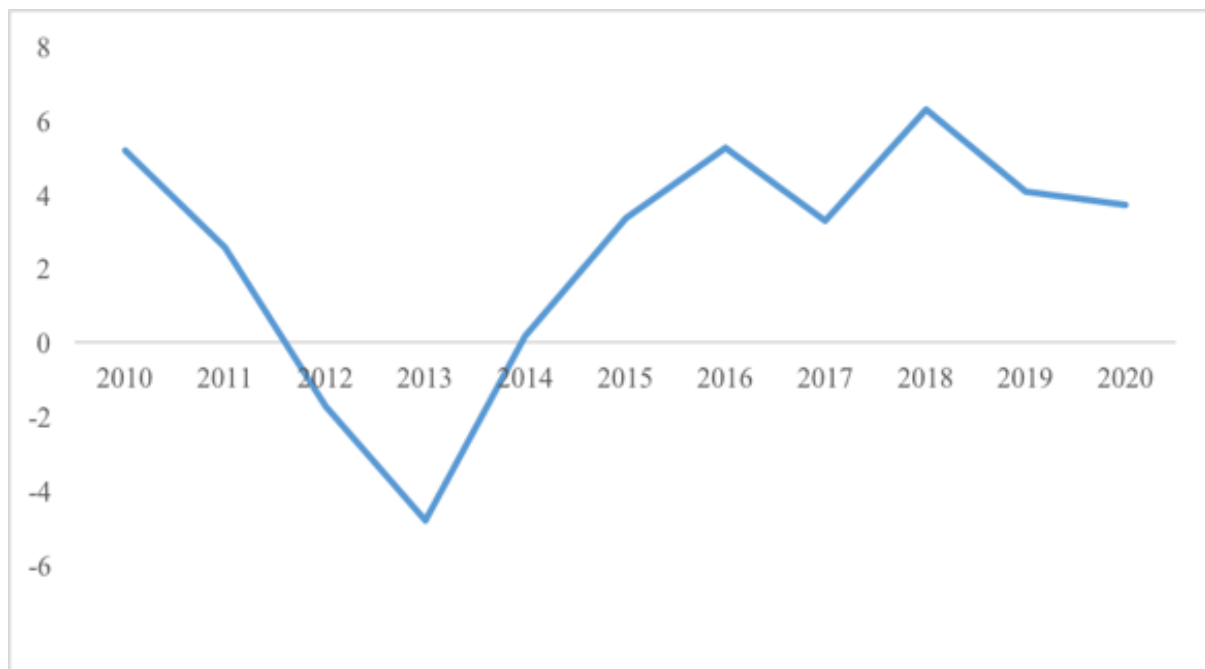
Source: WTTC (2019).

The leading tourism destinations in Europe in 2017 were France and Spain. To maintain the leading position and make robust yearly results, EU should continue in boosting investment in all countries, support SMEs through different channels and provide training and education to the tourism personnel.

3 CURRENT STATE OF TOURISM INDUSTRY IN MONTENEGRO

Montenegro is perceived as a country that is lagging behind other former Yugoslav republics when it comes to economic development, caused by slow paced transformation periods. Last twenty-five years of market transition in Montenegrin market started with a decade of transition recession in the 90s, followed by recovery period until the state's independence restoration. Further, Montenegrin market experienced an investment boom with duration of three years and average GDP growth rate of 9%, then six years long economic crisis and steady recovery of previous economic activities. The emergence of unsustainability of economic growth was assigned to external factors (inflow of the FDI) technological changes (innovations), internal development factors (use of natural resources) (NSSD, 2016).

Tourism development in Montenegro began in the 1960's, but particularly in the period from 1960–1979, stopped due to natural disaster. However, reconstructions, period of stabilization, slow process of transition and privatization shaped the nowadays tourism industry in Montenegro. The Montenegro Development Direction 2013–2016 showed that the main areas for potential development, investment opportunities and economic growth are tourism, energy and agriculture and rural area. The income from tourism in period of 2006–2012 has doubled and in 2017 it increased to 900 million euros. In the same year, 2017 the number of tourist visited Montenegro was 2,000,009 people where 94% were foreign visitors, 10% more than in 2016 and most of their visits were on the south or coastal region during summer period, from June to September, early October. The number of tourist in 2017 is shown in Appendix 3. Tourist presence in this region is higher compare to the central or northern area, leaving a significant burden to the environment.

In the Table 1 below is presented how important is tourism for Montenegrin economy, i.e. how tourism contributed to GDP, in the last three decades, as well as projections made by World Travel & Tourism Council (2018). Direct contribution in GDP is defined as "internal spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes), as well as government 'individual' spending - spending by government on Travel & Tourism services directly linked to visitors, such as cultural (e.g. museums) or recreational (e.g. national parks)". Direct contribution to the employment refers to ones employed in hotels, travel agents, airlines, restaurants, bars and other activities supported by tourism. On the other side indirect contribution in GDP and employment refers to investment spending in tourism industry, government 'collective spending' and domestic purchases of goods and services by business operating in tourism industry (WTTC, 2018). In absolute terms, the total contribution of tourism industry (both direct and indirect) was 988.2mn euros in 2017 and is expected to grow by 3.9% or 1,582.3mn euros by 2028. Around 36,500 jobs were created in tourism industry and rise by 21.5% or 45,000 jobs to 2028.

Table 1: Share of Tourism in Montenegrin Economy (Percentage Share)

Share in Aggregate	1990	2017	Forecast 2028
GDP generated by tourism - direct	7.0%	11.0%	13.3%
GDP generated by tourism - direct and indirect	22.0%	23.7%	27.9%
Export of goods and services	35.0%	52.6%	44.1%
Employment in tourism - direct	9.2%	7.6%	8.1%
Employment in tourism - direct and indirect	17.1%	19.3%	21.5%

Source: WTTC (2017); Montenegrin Statistical Yearbook (1991).

Economic importance of tourism industry can be also viewed from perspective of spending, i.e. foreign visitor versus domestic spending. WTTC (2018) has defined share of foreign and domestic tourism spending in GDP of a particular country. In Montenegrin case, foreign visitors generated 84.4% of direct tourism GDP in 2017 compared with 16.6% for domestic tourism and it is projected to grow by 2.5% and 4.5% in the next decade respectively. Capital investments are quite important in tourism industry and in Montenegro it is projected that in the next decade it will rise by 4.2%.

Based on the data provided by Ministry of Sustainable Development and Tourism presented in the Table 2 below in the period of 2011–2015 from total investments of 737,006,311 euros made in this period, in tourism facilities were spent 33% of total investments or equal to 241,757,577 euros (Ministry of Sustainable Development and Tourism, 2016).

Table 2: Investments by The Facility Type (in Euros)

Type of Facility	2011	2012	2013	2014
Facilities in the function of tourism	44,879,318	38,708,667	53,552,663	104,616,929
Facilities for renewable energy production	7,972,900	46,386,360	19,909,932	160,930,821
Infrastructure facilities	54,663,616	14,273,928	25,201,703	96,195,102
Education, health and religious facilities	9,160,600	31,961,783	24,501,429	4,090,560

Source: Ministry of Sustainable Development and Tourism (2016).

The tourism industry is mostly observed through hotel industry recognized by the Government of Montenegro as well as by many domestic and international investors, as 24 new hotels opened, 20 are 4 star and 5 star hotels, in year 2016. Based on the data provided by Monstat (2018) the number of tourism establishment and beds in whole country were 370 and 45,733 respectively presented in Appendix 4. Compare to the previous year, 2016 number of establishment increased by 6.32%, however the number of beds decreased significantly to 72.59%. We can tell, based on previously stated in this chapter, the tourism industry in Montenegro has transformed quite in the last few decades, especially after the breakup of Yugoslavia, and it is on the right track.

However, for further and more sustainable tourism development, main importance will be given to protection of natural areas. The most important 'structural' problems of tourism in Montenegro that are still unresolved are the following: high level of seasonality, insufficient structure of accommodation capacities, still unrecognizable brand of Montenegro as a tourist destination, lack of diversity and quality of supply, dependence on several key markets, road infrastructure and the availability of cheap flights and other concerns regarding the environment.

In the following subchapters we will refer to all three official documents by Ministry of Sustainable Development and Tourism created for the purpose of strategy development formulation and implementation in tourism industry of Montenegro.

3.1 Tourism Development Strategy up to 2020

The national document created for purpose of strategy development for tourism industry based on the then-current state and possible future trends was introduced by Ministry of Tourism and Protection of the Environment in 2008 (original title: Strategija razvoja turizma Crne Gore do 2020. godine).

The first chapter of the document is dedicated to tourism situation description at that current moment, i.e. 2008. In the second chapter the tourism development strategy by 2020 is introduced with all details, i.e. vision, strategic goal, objectives and necessary measures, along with description of eight touristic clusters. Last two chapters, 3 and 4 correspond to future trends and expectations in Montenegrin tourism until 2020 and detailed action plan with responsible agency respectively (Ministry of Tourism and Protection of the Environment, 2008).

According to the Ministry of Tourism and Protection of the Environment (2008) vision is to turn Montenegro in a differentiated destination throughout all year with a unique appealing, i.e. development of high-end tourism and the brand of nature-based tourism. In accordance with the vision of the document, the tourism slogan of the country or destination brand known as "Montenegro - Wild Beauty" should be developed to meet the demand of all

visitors by offering diversified products and services in tourism at competitive price levels. The goal of consistent quality and all year round offers will certainly have an impact on increased employment, personal income and higher living standards. Another goal is to align the supply and waste infrastructure with EU standards. To do so the most required is to establish partnership and collaboration among all stakeholders, from individuals to organizations.

The two most important objectives of the strategy of sustainable quality in tourism are **prosperity of the citizens** and **sustainable development**. In order to accomplish the first goal, the six preconditions must be satisfied, i.e. firstly income (direct and indirect) from tourism must be at the EU level of Mediterranean countries, full-time jobs and extra income opportunities must be created, development of all year products, then sufficient capacity throughout all year, satisfied guests and preservation and extension of unique selling points (nature and landscapes). The second goal accomplishment is defined through embracement of all sustainability principles and rules definition as the Ministry and the government identified the sustainability as a main priority to preserve the core product 'Wild Beauty'.

The Ministry has conducted SWOT analysis and main threats in the tourism industry are possible increase in transportation costs and food prices, climate change and reduction of the protected beach areas. The weaknesses range from imbalance between growing demand and supply, level of service and required skills to underdeveloped air transportation.

Based on previously conducted research of the current state and possible outcomes the Ministry of Tourism and Protection of the Environment (2008) has defined the strategic goal of tourism development by 2020 "by applying sustainable development principles and objectives Montenegro will create a strong position of a global high quality destination; tourism will provide to Montenegrin citizens enough jobs and increasing living standards, and the government will have stable and reliable revenues." The goal is accompanied with set of the clear objectives and measures to track their accomplishment. Objectives 1–3 presented in the Figure 6 below refer to the improvement of the product "tourism" and objective 4–5 relate to required base for tourism deployment presented in the Figure 6 below.

This document highlighted the importance of tourism sector in overall Montenegrin economy and necessary remote of seasonal product towards diversification with the aim for creating an overall product available during off-season and winter. In order to be marketable and competitive, Ministry urges to employ the quality standards, destination brand positioning and adequate promotion. Also the document suggests to have complex strategy adopted with gradual elimination of low price products by offering a fair product with full usage of the existing capacities. Lastly, implementation of the environmental tax is suggested as the funds from it could be further used for reconstruction and development.

Figure 6: Strategic Objectives and Measures for Tourism in MNE by 2020

Objective 1:
Create required tourism and accompanying infrastructure for attaining strategic goal

Objective 2:
Montenegro develops a specific Unique Selling Point

Objective 3:
Montenegro is known and recognized as all-year destination

Objective 4:
Institutional and legal framework appropriate for successful and sustainable development

Objective 5:
Local population is increasingly more involved in tourism sector ("internal marketing")

Measure 1.1
Improve transport infrastructure within Montenegro

Measure 2.1
Establish efficient marketing structures

Measure 3.1
Diversify hotel products (family, wellness, conference, etc.) and enhance recreational and active leisure facilities

Measure 4.1
Strengthen tourism organizations at the national, regional and local level

Measure 5.1
Raise awareness on the importance of tourism sector as a strategic sector

Measure 1.2
Improve utilities infrastructure

Measure 2.2
Promotion of regional clusters to strengthen tourism potentials in all regions and sub-regions of Montenegro

Measure 4.2
Strengthen inspection services

Measure 5.2
Enhance entrepreneurship in tourism

Measure 1.3
Attract investments into new high standard accommodation facilities

Measure 3.2
Develop and enhance specific products

Measure 5.3
Link tourism with other local industries

Measure 2.3
Implement National Sustainable Development Strategy

Measure 4.3
Establishment and functioning of information and quality management system

Measure 1.4
Increase standards of existing accommodation facilities

Measure 3.3
Establishment, promotion and marketing of tourist attractions

Measure 1.5
Enhance service quality in tourism

Measure 4.4
Enhance legal basis for tourism development (laws, regulations, amendments to laws)

Measure 1.6
Harmonize establishments with the surrounding (blending with the natural environment)

Measure 1.7
Establish "clean image" of Montenegro

Source: Ministry of Tourism and Protection Environment (2008).

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3.2 Master Plan 2001

The Government of Montenegro together with tourism industry, the municipality representatives and with assistance of the German Investment and Development Company-DEG in 2001 have developed the first Master plan that went beyond international projects known as the UN's South Adriatic Project and the International Consulting Committee Project (following the 1979 earthquake in Montenegro). The Master plan is a vision for long-term development for tourism industry and a manual with many resolutions to at that time certain problems and cardinal issues. The main idea was to resolve problems that together the Government and DEG have defined as following: existence of 'grey market', waste management and bottlenecks in water and energy supply, illegal building, lack of cooperation among distributors and operators, a vague image of the market, low interests in investments.

The main strategic aims are: "the summer half-year Montenegro will become a 'high-quality Mallorca' and in winter a qualified niche provider with special products. This will secure the country an exclusive market position at the Mediterranean" (DEG, 2001, p.2) and further will bring new jobs in the industry and higher living standard of the population. In order to accomplish the strategic aims they set concrete goals, i.e. for bedding capacities the goal by 2010 increase to 50,000 beds and 100,000 beds by 2020. Following the demand for certain accommodation type, the whole sector should be reorganized and characterized by setting standards, i.e. in hotel capacity is proposed expansion on the international 3 to 5 starts category and these same standards should be incorporated in private accommodation. All these certain desired objectives are used as measures for attaining the strategic aims.

Master plan introduced five regional strategies based on their similar characteristics and features in order to implement strategy of diversification tourism product, so two of the regional Master plans were prepared in cooperation with DEG for Boka Kotorska and Velika Plaža at Ulcinj. Tourism development was based on the following principles: *sustainable development, differentiation from competitor destination, regional distinctions, distinctive products, standardization of basic components, landscape design, individualized products, promoting private initiative.* The principles should be followed mainly through promotion of local products, natural landscapes, quality of service, uniformity of the accommodation types, abiding administrative regulations, incentives for small and medium businesses. After five years, the Government started to analyze the current situation and global and regional tourism trends, along with the progress made by implementation, ended up with review of the Master plan and introduction of an updated document the Tourism Development Strategy to 2020 that was described in the previous sub-chapter.

The Master plan 2001 introduced specific goals to achieve long-lasting competitiveness in the tourism sector with little description on other than economic goals. In some points DEG refers to sustainable environmental practices such as 'remedying waste disposal problems in wastewater and solid waste' and usage of natural resources but with no detailed explanation

or implementation plan. Also the plan was partly devoted to development of spatial plan of concrete regions. This could be due to post-war state of the country, little education on sustainable business practices in tourism and on the other side the vast importance of economic goals.

3.3   National Strategy for Sustainable Development 2030 - Tourism Sector

The first National Strategy for Sustainable Development (hereinafter: NSSD) was created in April 2007 and adopted by the Government of Montenegro. However, we will refer to the latest one, NSSD created and published in 2016. The main difference with aforementioned document is that NSSD is the first document devoted to the formulation of strategic and institutional framework for sustainable development of the country, across all main sectors and industries that could contribute either directly or indirectly to fulfilment of the declarative commitment to be the ecological country. The NSSD refers as the underlying document, meaning that it has been adopted across many countries as a main document that would translate and implement the Rio Earth Summit's idea into concrete policies and actions with the end-goal of ensuring the sustainable responsible economic development for the benefit of future generations. (UNDSD, 2005). The NSSD is based on then-current national strategic documents, the Mediterranean Strategy for Sustainable Development (hereinafter: MSSD) (UNEP, 2005), Agenda 21 recommendations (UN, 1992), the Johannesburg Plan for Implementation (UN WSSD, 2001), the Millennium Declaration (UN, 2000), and the conclusions and recommendations of the UN Commission for Sustainable Development (UN CSD, 2001) (Galli, Đurović, Hanscom & Knežević, 2018).

Montenegro is one of the first countries in the world that fully embraced and has integrated into its system and strategy formation the UN's 2030 Agenda for Sustainable Development. The document has defined a long-term development strategy of Montenegro named as The National Strategy for Sustainable Development by 2030 by the Ministry of Sustainable Development and Tourism. In the NSSD (2016) main priority areas are: "enhancement of human resources and strengthening social inclusion; support to the values, norms and patterns of behavior that are relevant for sustainability of the society; preservation of the natural capital; introduction of green economy; management serving the purpose of sustainable development and financing serving the purpose of sustainable development." The six priority thematic areas that include issues concerning the Montenegrin sustainability development are: human resources, social resource, natural resources, economic resources, governance for sustainable development, and financing for sustainable development with total of 241 SDG indicators.

The overarching idea of Ministry of Sustainable Development and Tourism is to attract foreign capital and create a highly competitive tourist destination in the region and further in Europe. This would also have an impact on total employment issue creating an increase of relative share of tourism and travel to 13.8% or in absolute terms from 18,500 jobs in 2015 to

26,000 jobs in 2026 (WTTC, 2016). The short overview of the NSSD of Montenegro is presented in the Appendix 5. Besides already mentioned diversification of tourism product, the NSSD document (2016) suggest development of **green economy** and sustainable development principles for further development of tourism, in particular northern and rural areas and **ecotourism** (e.g. Boka Kotorska). Further on the Ministry (NSSD, 2016) has listed **the principles for sustainable tourism development** as following:

− optimal use of natural resource by implementation of policies and measures in accordance with greenhouse gas emission reduction and low-carbon economy policies
− nurturing socio-cultural authenticity, cultural heritage and traditional values
− secure sustainable and long term economic activities in order to improve living conditions of citizens

The proposed schemes and plan to achieve the previous, Ministry suggests usage of incentive plans and proper education system or even cluster formation to transfer experiences by connecting different industries, e.g. good practices from agriculture sector could be used for development of rural and gastronomic tourism. In NSSD (2016) protected areas of nature have been highlighted in further tourism development with the aim of aligning the goal of sustainable valorization of nature and landscapes. The sustainability goal of crucial importance is **improvement of resource efficiency** "through introduction of market-oriented measures, i.e. the economic instruments into key economic sectors (environmental taxes, fees and charges for users, trade certificates, green finances, green procurements, subsidies, permits and marketable bans …" (NSSD, 2016, p. 205). The goal is to reduce the resource usage by 20% in comparison to average in the period 2005–2012 across all key economic sectors and specifically in tourism sector, and it can be achieved through support of green investments into hotels and catering capacities, water supply and waste management, stimulation of new green technologies and similar practices of a green economy.

The NSSD also advocates the idea of green investments that could create additional jobs and the 95% would be in tourism sector and related activities. Tourism industry is mentioned and presented through both direct and indirect connection with other industries, such as agriculture, fishery industry and sea traffic. The NSSD suggests next three pillars of measure for improving resource use: **making tourism green** by taking measures in areas such as energy consumption (investments in energy efficient resources by hotels and other accommodation types), water consumption, waste generation and management, biodiversity protection. Second suggested pillar is **maintenance of destination attractiveness in long term** through construction planning, environmentally friendly products and services, efficient touristic facilities, service quality, waste recycle, etc. and third pillar is **green innovations.**

3.4 Analysis of Sustainability Performance in Montenegro

This subchapter first refers to evaluation of the execution of the measures set up in Tourism Development Strategy to 2020 to its five objectives, depicted in the Figure 6 above. Also below are mentioned measures that had available data to evaluate them appropriately. Afterwards each sustainability pillar performance, i.e. economic, environmental and social is evaluated for tourism industry in Montenegro.

Measure 1.1 refers to improvement of the transport infrastructure within Montenegro and cross-border roadways. From 2008 to 2017 there was significant investing into development and reconstruction of the roads. Ministry of Transport and Maritime Affairs (Government of Montenegro, 2017) stated that investments are still ongoing and they are based on the available funds depending on the dynamics of the work. Significant investments in 2017 were 40 km of railway, reconstruction of 22 km of railroads and maintenance of the existing railway. According to Mans (2017) 295 million in 2017 was allocated from the annual budget to these investments. When comes to air transportation, low-cost carriers entered the market and new terminal at Tivat Airpot was introduced in late 2018. Still highway Bar-Boljare as the major investment through the loan is not finished and the estimated delivery date is not available. When comes to improvement of utility infrastructure (measure 1.2), i.e. safe drinking water, waste water treatment so far the only available data is ongoing investments in new pipeline in municipalities of Kotor, Tivat and Herceg Novi and additional quantities of high quality water for the area of the Bay of Kotor (Government of Montenegro, 2018). Measure 1.3 refers to investments into new high standard accommodation industry mainly on privatization and on renovation and upgrading of the existing hotels. In 2017 total of 64 hotels have five and four-stars classification (see Appendix 4), compare to total of 45 hotels with five and four-stars classification (HTL, MTS & FBT, 2018). Additionally, major investments in tourism in Montenegro, Portonovi project is still ongoing and almost finished Luštica Bay project are financed by foreign investors. Measure 1.4 indicates the necessity for increased standards of existing accommodation facilities as in 2008 low standard accommodation dominated with 10% of four-stars hotels and 2% of five-stars hotel. In 2017 according to Monstat (2018) that has changed with 42% of four-stars hotels and 3% of five-stars hotel. In order to track measure 1.5 that refers to enhance service quality in tourism sector, the number of direct and indirect jobs was stated as a suitable indicator. In 2018 employment rose by 26%, i.e. total 36,500 direct and indirect jobs from total 29,000 direct and indirect jobs in 2009 (WTTC, 2018). Regarding other measures depicted in the Figure 6 above, there was either not sufficient data or irrelevant data for their further examination.

3.4.1 Economic Performance

The last few decades, tourism industry in Montenegro had experienced major changes. The first negative effect occurred by the privatization of tourism industry was visible in decline of overnights stays from about 11 million in the late 1980s to 5 million at the beginning of the

21st century (DEG, 2001, p. 2). However, the recovery of the sectors is seen through rapid growth in the last two decades. The tourism contribution in overall economy is visible through sales, profits, jobs, tax revenues, and income in an area. (Stynes, 1997). The tourism contribution to GDP has been constantly rising, whereas in the years between 2004 and 2009 the turnover tripled, i.e. increase from 67.4 mn euros to 189.1 mn euros. The economic crisis in 2009 contributed to negative growth rate (WTTC, 2010). In the period from 2012 to 2017 we can observe slight growth in tourism industry each year as shown in Table 3 below.

Table 3: The Direct Contribution of Travel & Tourism (Real 2017 Prices, in Million Euros)

| Year	2012	2013	2014	2015	2016	2017	2018*	2028**
Direct contribution to GDP	359.8	385.2	387.0	429.4	432.3	459.1	500.3	752.6

*estimated value

**forecasted value

Source: WTTC (2018).

Direct effect of tourism industry can be also observed through incoming tourists and overnights. In 2017 number of incoming tourist increased by 10.3% compare to 2016, while number of overnights increased by 6,3% in 2017. From total number of nights, 96% were by foreign tourist. From 2013 onward we have constant increase in both number of incoming tourists and overnights as seen in Figure 7 below (Monstat, 2018).

Figure 7: Number of Incoming Tourists and Over-nights for Period 2013–2017
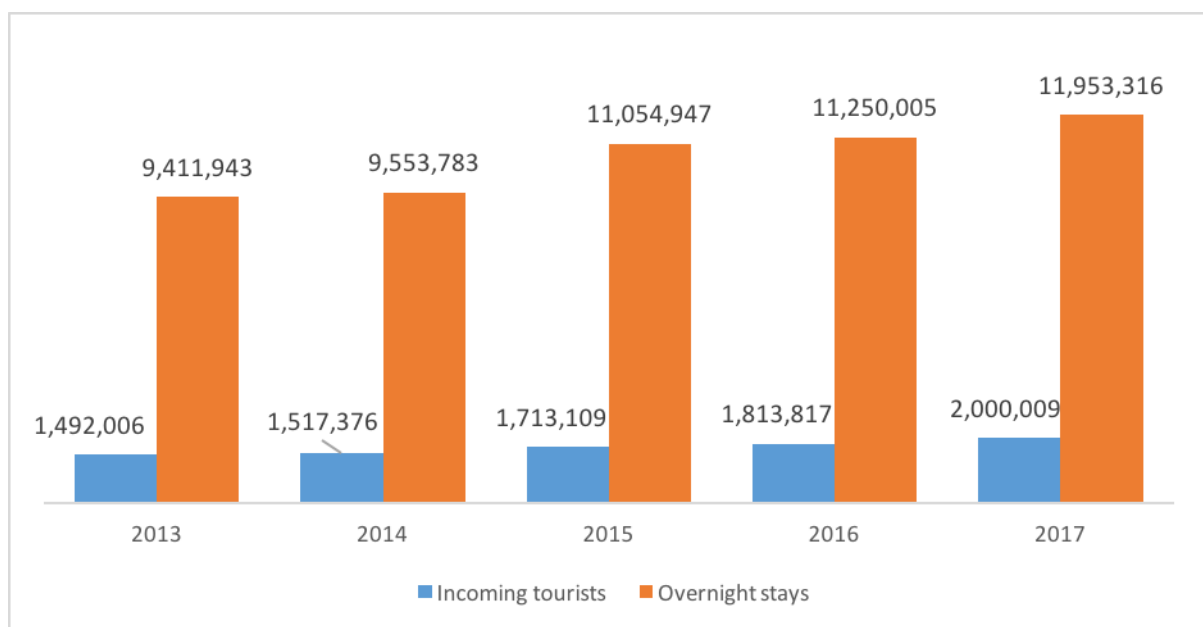
Source: Monstat (2018).

Even though direct contribution to economic is significant, many identified the tourism offers of Montenegro as unsufficient, as around 50% of accommodation capacities, mainly hotels belong to lower classification (1 and 2-stars). Other issues are lack of employees in tourism, marketing strategy in certain regions and overall marketing and positioning of the country. The Horwath Hotel Industry Survey for Montenegro in 2017 included 48 Montenegrin hotels and the results provide increase in revenue for each region, whereas the central area achieved the highest growth of the average annual operating revenue per room due to new hotels in the capital town, Podgorica. For 2017 the average revenue per room for central area amounted to 48 thousand euros. However, in the northern area the results show that the country is facing the downturn and rather lower rooms rate leading to an average revenue of 7 thousand euros of surveyed hotels (HTL, MTS & FBT, 2018).

3.4.2 Environmental Performance

Tourism industry is well-known for consuming the natural material and production of carbon footprint mostly through accommodation, transport services and food consumption. The minimal diversification of tourism activities in Montenegro, i.e. offering just seasonal product and dominantly in the coastal area, has built up increased pressures on the environment and unequal regional development. The estimated waste quantities amounted to 243,941 tons and so far it has been reduced by only 20% (Ministry of Sustainable Development and Tourism, 2013). Average tourist visiting Montenegro emits 6.5kg of carbon-dioxide, leading to climate changes. Based on the study Technology Needs Assessment, due to climate changes we can expect reduction of income ranging from 33 to 68 million euros per year and reduction of skiing tourism. Further tourism industry in period of 2000–2010 has contributed to consumption of the energy up to 10%. According to the Table 4 below, total energy consumption will increase by more than 50% by 2030. The consumption will be mostly contributed by the increase in the energy consumption of household sector (80%), industry (76%), services and tourism (60%) and transport (22%).

Table 4: Realized and Anticipated Consumption of Total Energy by Sector by 2030
(Measured in PJ)

Sector	2000	2005	2008	2009	2010	2015	2020	2025	2030
Industry	12.829	15.358	15.304	8.031	7.711	9.074	10.333	11.805	13.573
Transport	7.738	6.987	10.019	11.681	11.645	9.413	11.329	13.16	14.321
Households	5.483	6.406	6.645	6.753	6.919	9.764	10.758	11.728	12.467
Services and tourism	2.272	2.656	3.82	3.445	3.753	3.931	4.212	5.412	6.021
Total	28.323	31.407	35.787	29.91	30.028	32.182	36.632	42.105	46.382

Source: Ministry of Economics (2014).

A survey conducted among 100 companies operating in the tourism and travel sector, hereinafter referred to as tourism business entities, in cooperation with the Centre for sustainable development and E3 Consulting Podgorica have stated: "More than two thirds (68.7%) of tourist business entities, **do not apply any environmental standardization scheme** or have a certified business segment". More than half of the survey respondents believe that environmental protection is not at the optimal and satisfactory level. Other survey results showed that just 25% of the respondents are willing to educate themselves on carbon footprint calculation. Majority of respondents, 67% believe that municipalities do not have enough financial resources for so called green projects. Relevant and local authorities in the area of tourism and environmental protection were part of the second group of respondents. The main findings are: high concern about **poor infrastructure**, such as transport, electricity and water supply that have negative effects on tourism and life of the habitants. Even though tourism industry incorporated already mentioned strategic documents, interviews believe that preconditions for the eco-tourism concept exist. The legal respondents agreed with **necessity of eco-certification and clear and objective criteria**. When comes to jurisdiction in making and implementing decision, the opinions are neutral, but **the lack of cooperation** is perceived as main drawback in implementation process.

Also most of the respondents are quite unsatisfied with the application of the law, regulations in environmental protection area. The respondents listed the main obstacles in monitoring as low number of environmental inspectors, lack of transparency and consistency in the work of the competent institutions (E3 Consulting, 2015).

3.4.3 Social Performance

The northern part of Montenegro, e.g. municipality Šavnik is still facing the trend of depopulation even the town is considered as the part of ethno village tourism business (NSSD, 2016). The study made by Ratkovic and Bulatovic (2013) following the European Commission's system of comparative indicators (European Commission, Studienkries tourist Board, 1994) has stated that percentage of underdeveloped tourist sites is above 50% (example Jaz, Buljarica, Čanj, Maljevik, Valdanos, Ulcinj, Velika Plaža - locations for Eco lodge). When comes to cultural promotion, e.g. traditional style of constructions, heritage and regional art, Ministry of Tourism and Sustainable Development (2013) has stated that it still remains not visible enough across all country. One way to measure the social performance would be to analyze the migration of local population, however no data is available after the latest consensus from 2011.

The economic indicators show quite improvement in tourism industry in Montenegro regarding just the tourism industry turnover and its GDP contribution. If we would consider just quantitative data, then the real picture about strategic performance would be omitted. The survey form E3 Consulting and environmental performance clearly stated there is a room for improvement of the sustainability strategy formation for tourism industry in Montenegro.

4   SUSTAINABILITY STRATEGY FOR TOURISM INDUSTRY IN MONTENEGRO 2020–2030

Strategy in general can be defined as a plan, a course of actions, set of guidelines in order to know how to act in various situations. Two main characteristics of a strategy would be in advance creation for a particular set of actions and intentionally and purposefully development (Mintzberg, 1987). Similarly, Drucker (1974) described a strategy as "purposeful action" and Moore, Warner and Martin (1959) as "design for action" and "conception preceding action". Strategy can be either general or really specific. According to Mintzberg (1987) a strategy can be defined as a plot, meaning set of a specific movements used as a tool for the competition. Strategy is a pattern or a consistency of behavior; a strategy can be also a position, precisely a strategy should link organization with its environment; a strategy as perspective reflects a view of an organization on the world and its intentions how to act correspondingly. There are many definitions for strategy formation, depending on the usage and type of the organization.

However, for the purpose of this thesis we will use Armstrong's (2006, p. 126) definition: "Strategies are declarations of intent. They define the direction in which the organization is going in order to achieve its mission."

This chapter first describes the methodology used to generate the proposal for "Sustainability strategy for tourism industry in Montenegro 2020–2030". Then results of the used research methods, quantitative (a survey to the managers) and qualitative (a semi-structured interview with tourism professionals) are depicted, alongside with the detailed implementation. Overall, my study will focus on generating a sustainability strategy in details using results from the conducted research and using the Balanced Scorecard 3rd Generation.

4.1   Methodology

According to the purpose of this study and the aim of this thesis research, the main research question is determined as: "What are the key elements of Sustainable Strategy for Tourism Industry in Montenegro?" The consequent first research question regarding attitudes of tourism business managers in Montenegro towards sustainability will be answered by using the quantitative approach, i.e. conducted questionnaire with the business owners and managers in tourism industry. The second research question concerning generation of the destination statement for tourism industry in Montenegro by 2030 will be using the qualitative approach, i.e. semi-structured interviews with tourism practitioners. Lastly, the third question will also refer to the results based on the semi-structured interviews, interpreted during the sustainability strategy formulation in order to formulate the key strategic activities for the period 2020–2030.

The qualitative and quantitative methods usage in tourism industry research are quite common in the recent years (Bryman, 2006), whereas the quantitative research will provide the numerical evidence with further availability for statistical analysis and the qualitative research will further constitute the depth of the issue and insights from the few cases. In this research the methods are described as follows:

- Questionnaire

The first objective of this master's thesis concerns the attitudes of tourism business managers in Montenegro towards sustainability and to have relevant conclusion the questionnaire was designed. The questionnaire-based surveys research technique is mostly used in tourism and leisure industry to gain information about individuals' attitudes or accounts of their behavior (Veal, 2006; Brunt, 1997). All attitude statements in five sections were constructed regarding criteria for attitude statements summarized by Edwards (1957).

This questionnaire was distributed to managers in tourism industry (hotels, private accommodations, pubs – bars, restaurants, tour operators and ethno villages in the period of 16th of January to 14th of February 2019 across all country in order to gain understanding of their attitudes towards sustainability in tourism, sustainability business practices, as well as their usage. The first section is about the characteristics of the business in tourism industry in the whole country, i.e. type of the business, location, ownership, classification, employees, etc. The second section is derived from 'CSR Management Survey 2015 in Central Europe' by Deloitte and it refers to business influence on social and economic advancement of the country and its economy. Third, fourth and fifth sections include general attitude towards sustainability in tourism, responsibility in sustainable tourism development and their sustainable business practices. Last two sections are about benefits and barriers of sustainable business practices. All statements are based on the extensive literature review on relevant topics, such as UNWTO definition of sustainable tourism, and previous researches in the same or related industries. The measurements used are closed questions and open factual question for first section, whereas for all other five sections 'Likert method' 6 points scale (1 = Strongly agree; 2 = Agree; 3 = Slightly Agree, 4 = Slightly Disagree, 5 = Disagree, 6 = Strongly disagree) was used to measure respondents' attitudes toward statements. As already mentioned the questionnaire is partly based on Deloitte's CSR report (2015) and previous researchers on the same topic in similar industries. The questionnaire can be found in Appendix 6 (the English translation).

Firstly, the questionnaire is pilot-tested with the consultancy agency in hard copy. For purpose of this study a sample size is based on convince sampling technique due to time constraint and their willingness to participate (Saunders, Lewis & Thornhill, 2007; Black, 2009). I provided the questionnaire to respondents via hard copy handed directly and via the electronic messages. The total number of distributed questionnaire was 80, out of which 36

were collected. The data obtained from the conducted questionnaire were processed with the help of the IBM SPSS Statistic 22 (Statistical Package for Social Science).

- Semi-structured interviews

The second and third objective of this master's thesis refer to formulation of the sustainability strategy for tourism industry in Montenegro, first by creating the destination statement and determining the key strategic activities in order to reach the desired state by 2030. According to the interview schedule and design, in-depth interviews can be structured, semi-structured and unstructured interviews (Bryman, 2004). For purpose of the aforementioned objectives the most appropriate approach is semi-structured interviews with more flexible interview process. Alongside with the open-questions this approach enabled respondents to clearly explain their own perspective and understanding of the topics and make suggestions accordingly.

The interviews were conducted with tourism practitioners, precisely employees in the Ministry of the Sustainable Development and Tourism that are working on relevant topics and departments, a former employee in the Touristic Organization of Podgorica, an employee of National Touristic Organization, PhD student partly engaged in Montenegrin policy for EU accession, in the period of 20th of February to 28th of February. The questions were created to form a base for appropriate sustainability strategy formulation. The first question is formulated to address their perspective on current strategy by explicitly defining the direction of tourism industry in Montenegro in the next ten years. The second and third questions are formulated for clear definition of the sustainability strategy of tourism industry by 2030 alongside the needed steps in order to reach the state defined by the strategy. The last questions address interviewee's opinion on possible challenges for implementation. The general interview questions and schedule used is depicted in Appendix 9 (the English version).

The interviews selection was based on the professional background of the interviewees and their current engagement in the relevant topic. The interviews were conducted in their offices and prior to the interviews respondents were informed about the purpose of the research, the confidentiality as well as anonymity. Total of 8 relevant tourism practitioners were conducted and 5 of them were willing to participate. Average duration of the interviews was 40 minutes and the notes were taken during the interview with main ideas, impressions, respondents' thoughts. From the three kinds of coding available for the analysis, descriptive coding, topic coding and analytic coding, the most appropriate for the purpose of the research is topic coding. The topic coding refers to type of gathering the material and information by the topic and it is the most accessible technique. The gathered material reflected the patterns and distinguished views in the responds by particular topics (Morse & Richards, 2002).

- Strategy Development Process

The process of developing sustainability strategy for tourism industry in Montenegro is done by using the method of Balanced Scorecard 3rd Generation. The starting point is the data from the survey and semi-structured interviews as well as from relevant empirical findings in the literature. This helped me to create a Destination Statement for Montenegro Tourism in 2030 which includes 4 perspectives (key stakeholder expectations, external relationships, process and capabilities, and organization and culture). The destination statement was used to develop a sustainability strategy proposal for tourism industry in Montenegro 2020–2030. The strategic linkage model with strategic activities and strategic outcomes and measures are introduced for easier understanding of what needs to be done in order to reach the destination statement.

4.1.1 Characteristics of Questionnaire Respondents

The questionnaire sample included 36 managers or owners of businesses in tourism industry, 56% of total (20 respondents) were hotels, 8% of total (3 respondents) were private accommodation, 25% of total (9 respondents) were restaurants, 6% of total (2 respondents) were bars, 3% of total (1 respondents) were ethno village and 3% of total (1 respondents) were transportation agency. The 47% of business are based in central area, 36% in south and 17% in northern area of the country. The average year of business is 8 years, the minimum age is 1 and the maximum age is 28 years. The next Figure 8 is the distribution of the respondents by their star classification of the business.

Figure 8: Distribution of The Respondents by Star Classification (Percentage Share)

Source: own work.

36
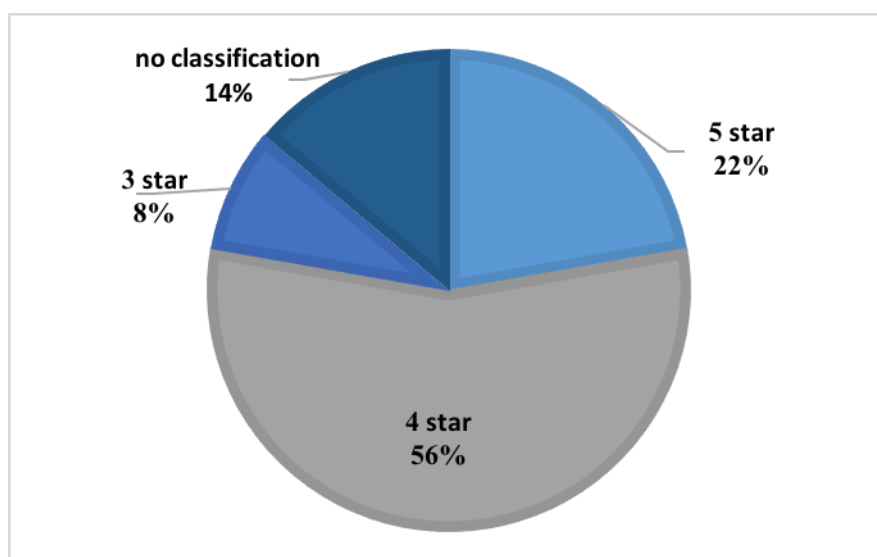
The most respondents have 4-star classification type, 56 % of total (20 respondents). Second group are 5-star business with 22% of total (8 respondents). Business with no classification was 14% of total (5 respondents) and 3-star classification business was 8% of total (3 respondents). The most businesses by number of employees were micro (53% of total or 19 respondents), small business were 36% of total or 13 respondents, whereas the sample had 2 medium- and 2 high business (3% of total for each).

After presenting the characteristic of the questionnaire sample, the following subchapters are examined the attitudes towards sustainability in tourism industry from various perspectives.

4.1.2   Relationships between Variables Used

For purpose of evaluating relationship between attitudes concerning sustainability in tourism industry I have used 7 variables (out of total 9): Business influence, General attitude, Responsibility, Overall action, Environmental actions, Economic actions and Socio-cultural actions. Later in this chapter the remaining two variables, Benefits and Barriers, are described in more details. The descriptive statistic of all variables is presented in Table 5 below and the result of Spearman correlation coefficient test is presented in the Appendix 8.

Table 5: Descriptive Statistics of All Variables

Variable	Mean	Median	Mode	Std. Deviation
Business Influence	2.1468	1.9286	1.00	0.93490
General Attitude	2.7167	2.8000	3.00	0.95424
Responsibility	3.2222	3.2000	3.20	0.36654
Overall action	1.7718	1.7500	2.14	0.601222
Environmental actions	2.1278	2.0000	2.00	0.80733
Economical actions	1.5611	1.4000	1.00	0.63932
Socio-cultural actions	1.5764	1.5000	1.00	0.60006
Strategic Planning	2.0509	1.9167	1.00	0.91532
Benefits	1.6706	1.4286	1.14	0.63413
Barriers	2.4383	2.5000	2.00[a]	0.70521

a. Multiple modes exist. The smallest value is shown
*1- strongly agree; 7- strongly disagree

Source: own work.

The frequency distributions for the individual questions that are grouped as the above mentioned 7 variables are depicted in Appendix 7. Most of the respondents strongly agreed or agreed with statements regarding business's influence on social and economic advancement of the country, such as infrastructure, energy and social climate and its economy, as well as with general statements derived from UNWTO (2005).

Firstly, the overall result explains high perception of the business influence as the average score is 2.15 and the standard deviation of 0.9. The Spearman correlation test found no significant correlation and the strength between business influence and general attitude is really weak (r = 0.197). However, the correlation between business influence with all other variables are highly significant from zero (α= 0.01) with moderate strength between variables, meaning that with an increasing of each sustainable business action, increases the business influence on the country and its economy. Less than half of the respondents agreed on business influences on energy and climate safety. Based on the results of correlation the general responsibility variable is not significantly correlated with any of the other variables. This is also seen in other researches, whereas the sustainability and its philosophy should be accepted nowadays as per evidence from climate change effects (Dewhurst & Thomas, 2003). The two thirds of respondents disagreed with statements on negative socio-cultural and economic impacts.

Regarding responsibility for sustainable tourism development more than half of respondents agreed that the public sector should be held responsible for tourism development and 81% agreed that each business should separately contribute. Responsibility variable is highly correlated with overall actions variable (P = 0.022; α= 0.05) and their strength of association is somewhat weak (r = 0.38). Also the responsibility variable and economical action variable are significantly correlated (P = 0.001; α= 0.01) and their strength of association is moderate (r = 0.523). Respondents mostly agreed with the statement regarding the new policies and control standards (42% strongly agreed and 28% agreed) as well with the statement of business participation into creating policy in tourism industry. Most of the respondents, 70% of total, agreed that voluntary initiatives are the good way to induce sustainability in tourism.

Sustainable business practices are divided in three pillars, i.e. environmental, economic and socio-cultural actions. Besides economic practices that are basis for long-term operation, the most practiced sustainable business actions among respondents are socio-cultural, i.e. informing tourists, supporting local communities, etc. Overall attitude towards economic actions are quite high with media 1.26 and standard deviation of 0.63. The respondent attitude towards program for **waste management and composting** is rather neutral, though they should be implemented firstly. The overall business actions are highly correlated with strategic planning (P = 0.000; α= 0.01) and somewhat high strength between variables (r = 0.675), leading to conclusion that with increasing importance of sustainability practices, the

importance for strategic planning also rises. The same result is for each business action pillar separately. Strategic planning variable is highly correlated with business influence variable (P = 0.001; α= 0.01) with moderate strength (r = 0.518).

The examined relationship between the variables showed that business influence has positive correlation with overall and each sustainability business action implemented, whereas general attitude showed no correlation with the actions taken. The responsibility for sustainable tourism is down to public sector and businesses, but the most responsible respondents are ones that practiced economical and socio-cultural actions. The importance of strategic planning is rather high with overall result of average 2.05 and standard deviation of 0.91, in order to preserve the business as social responsible.

4.1.3 Attitudes towards Benefits and Barriers of Sustainable Business Practices

In order to examine the triggers and hinders in implementation of sustainable business practices in tourism industry in last two sections, Section 6 and 7, are presented the statements about benefits and barriers of sustainable business practices. In the Table 6 below is summary of the response frequency about perceived benefits in number and percentage points (%). From the Table 5 in chapter 4.1.2, the overall result explains quite high perception of the sustainable business benefits as the average score is 1.67 and the standard deviation of 0.634.

Table 6: Summary of the Response Frequency for Benefits Section

Variable		Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
Cost reduction	no.	11	16	6	1	1	1
	%	31%	44%	17%	3%	3%	3%
Reduction of negative impacts	no.	15	14	5	0	2	0
	%	42%	39%	14%	0%	6%	0%
Improved reputation and image	no.	24	11	1	0	0	0
	%	67%	31%	3%	0%	0%	0%
Increased customer satisfaction	no.	25	10	1	0	0	0
	%	69%	28%	3%	0%	0%	0%
Increased employee satisfaction	no.	22	10	4	0	0	0
	%	61%	28%	11%	0%	0%	0%
Improved relationship with community	no.	22	8	5	0	1	0
	%	61%	22%	14%	0%	3%	0%
Business philosophy	no.	15	14	4	2	1	0
	%	42%	39%	11%	6%	3%	0%

Source: own work.

Improved reputation and business image to the public is the most perceived benefit of implemented business actions by 98% of respondents. Also increase in both **customer and employee satisfaction** is seen as benefits among most of the respondents, i.e. to 97% and 89% of respondents respectively. The least perceived benefit is cost reduction as 75% of respondents strongly agreed or agreed, even though in many previous studies is the prime motive of implementation. The Spearman correlation coefficient presented in the Appendix 8, showed the significant correlation between benefit variables and business influence (P = 0.000; α= 0.01) with high strength (r = 0.670), with responsibility (P = 0.002; α= 0.01) and medium strength between variables (r = 0.506), with overall actions (P = 0.000; α= 0.01) with high strength relationship (r = 0.710). Benefit variable with each pillar action variable has highly significant correlation (P = 0.000; α= 0.01).

Barriers in implementing sustainability business practice are perceived as positive with relatively high composite mean (2.4383) followed by the standard deviation (0.705) (Table 5 in Chapter 4.1.2). The Table 7 below describes the frequency of response for each barrier in numbers and percentage points. The barrier with highest response is **lack of government incentives**, i.e. 67% of respondents perceived it as the highly important. More than half of respondents strongly agreed or agreed that complexity of practices and implementation represent the barrier (63% and 61% respectively). However, the Spearman Correlation coefficient did not find any significant correlation between barrier variable and any other variable.

Table 7: Summary of the Response Frequency for Barriers Section

Variable		Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
High implementation costs	no.	9	13	13	1	0	0
	%	25%	36%	36%	3%	0%	0%
Complexity	no.	8	14	11	1	1	0
	%	23%	40%	31%	3%	3%	0%
Lack of consumer pressure	no.	8	7	13	4	4	0
	%	22%	19%	36%	11%	11%	0%
Lack of government incentives	no.	10	14	8	3	0	1
	%	28%	39%	22%	8%	0%	3%
Investment reluctance	no.	6	14	11	3	2	0
	%	17%	39%	31%	8%	6%	0%
Poor education	no.	8	11	12	4	1	0
	%	22%	31%	33%	11%	3%	0%
Lack of understanding between employees	no.	6	9	10	8	2	1
	%	17%	25%	28%	22%	6%	3%

(table continues)

Economic crisis	no.	8	10	11	3	4	0
	%	22%	28%	31%	8%	11%	0%
Absence in media	no.	10	11	10	1	3	1
	%	28%	31%	28%	3%	8%	3%

Source: own work.

4.1.4 Attitudes towards Sustainability and Sustainability Tourism Regarding the Characteristics of Questionnaire Respondents

In this section, the possible differences between attitudes and actions (benefits and barriers are excluded) regarding the characteristics of business in tourism industry are depicted, i.e. type of the business and classification of the business, using the Kruskal-Wallis test (Kruskal & Wallis, 1952). This non-parametric test is equivalent to one-way independent ANOVA. Further, the post-hoc procedure (Bonferroni correction adjustment of the significance level) is also used.

Based on the results of the non-parametric test presented in the Table 8, there is no significant difference between type of the business and attitudes towards influence, responsibility, actions, planning, benefits and barriers. The post-test also showed no significant differences among pairwise comparison of the groups, as hotel and private accommodation observed significant value greater than Bonferroni correction, i.e. significance values are higher than 0.0167 as shown in Appendix 9, Table 1. The same results are for other two tested groups, restaurant and bar, and restaurant and transportation agency presented in the Appendix 9 (see Table 2 and Table 3).

Table 8: Kruskal-Wallis Test for Type of the Business

Variable	Kruskal-Wallis H	df	Asymp. Sig.	Monte Carlo Sig.	Lower Bound	Upper Bound
Business Influence	1.801	5	0.876	.932[c]	0.925	0.938
General Attitude	5.092	5	0.405	.435[c]	0.422	0.447
Responsibility	3.774	5	0.582	.650[c]	0.638	0.662
Overall Action	5.509	5	0.357	.373[c]	0.361	0.386
Environmental actions	7.017	5	0.219	.200[c]	0.190	0.211
Ecological actions	3.862	5	0.569	.640[c]	0.628	0.652

(table continues)

Socio-cultural actions	3.716	5	0.591	.661[c]	0.649	0.673
Barriers	8.962	5	0.111	.069[c]	0.063	0.076
Strategic Planning	4.156	5	0.527	.589[c]	0.577	0.602
Benefits	5.689	5	0.338	.344[c]	0.332	0.356

c. Based on 10000 sampled tables with starting seed 1895079364

Source: own work.

Classification of the business is the second characteristic used for evaluating differences in attitudes and actions. The result of the Kruskal-Wallis test is shown in Table 9 below indicating no significant difference between any classification categories of the business.

Table 9: Kruskal-Wallis Test for the Classification

Variable	Kruskal-Wallis H	df	Asymp. Sig.	Monte Carlo Sig.	Lower Bound	Upper Bound
Business Influence	6.382	3	0.094	.086[c]	0.079	0.093
General Attitude	1.067	3	0.785	.806[c]	0.796	0.816
Responsibility	1.252	3	0.741	.763[c]	0.752	0.774
Overall Action	3.380	3	0.337	.356[c]	0.344	0.368
Environmental actions	6.029	3	0.110	.104[c]	0.096	0.112
Ecological actions	3.930	3	0.269	.283[c]	0.272	0.295
Socio-cultural actions	1.178	3	0.758	.774[c]	0.763	0.785
Barriers	2.548	3	0.467	.484[c]	0.471	0.496
Strategic Planning	2.027	3	0.567	.589[c]	0.577	0.602
Benefits	0.682	3	0.878	.894[c]	0.886	0.902

c. Based on 10000 sampled tables with starting seed 375159495

Source: own work.

The pairwise comparison of the groups in the post-hoc test showed the differences between 5- and 4-star classification as significant in business influence on the country and its economy (X = 32.00; p = 0.014) as shown in Appendix 10, Table 1. However, other two pairwise groups, 5- and 3-star, and 3-star and no classification group shown no significant

difference between attitudes and action in sustainability tourism industry as presented in Appendix 10, Table 2 and Table 3.

The empirical results from previous sections showed positive attitude towards sustainability in tourism industry and its relevant practices among respondents. The significant correlation exists between business influence, overall actions and each pillar separately, strategic planning and perceived benefits. The most perceived benefits of the practices improved business reputation and image, increased customer satisfaction and employee satisfaction, and on the other hand the perceived barriers are mainly lack of government incentives and complexity of the practices implementation. Regarding the differences in attitudes among respondents' results did not show any significance in types of the business, but between 5- and 4-star classification difference exists in attitude towards business influence.

This research study together with the interviews are the base for the strategy formulation described in the next section.

4.2 Montenegro Destination Statement for Tourism Industry 2030

For purpose of creating the destination statement and further the sustainability strategy I use the 3rd Generation Balanced Scorecard (hereinafter: BSC). The first and second generations of BSC originated from early 1990s by Robert Kaplan and David Norton. They have proposed the mechanism to develop performance objectives and measures linked to strategy in four perspectives. The four perspectives are financial, customer perspective, internal process and the learning and growth perspective. The financial perceptive answers the question if the strategy transformation will improve economic success, while the customer perspective defines the segments in which an organization operates and customer value proposition needed for a competitive advantage. Internal processes refer to operations needed to be executed in order to deliver value proposition and satisfy shareholders expectations. Fourth perceptive, learning and growth identifies necessary infrastructure to achieve all objectives from previous three perspectives (Kaplan & Norton, 1996).

Key components of a 3rd Generation of the Balanced Scorecard are: **Destination Statement, strategic linkage model, and measures and initiatives**. Destination Statement is defined as the desired state of an organization, "what is likely to look like in an agreed future date" (Olve, Roy & Wetter, 1999; Shulver, Lawrie & Andersen, 2000) and a clear idea what the organization wants to achieve (Lawrie & Cobbold, 2004). Strategic linkage model depicts causalities between strategic activities and strategic outcomes, medium-term goals to be achieved, in order to reach its destination on predefined time (Lawrie & Cobbold, 2004).

For gathering the relevant data and insights of the sustainability strategy in tourism industry and their opinion on the tourism future state in Montenegro, I have conducted five semi-structured interviews with tourism practitioners, i.e. employees of Ministry of Sustainable

Development and Tourism, Touristic Organization of Podgorica, National Touristic Organization and PhD student. Also I will refer to questionnaire findings and managers' attitudes towards sustainability practices in tourism industry. Moreover, all relevant findings presented in previous chapters, like E3 Consulting survey findings, etc. are used as s base for translation of the findings into a destination statement and strategy proposal. Interviewee 1 said that "…in my opinion the sustainability strategy for tourism industry in Montenegro by 2030 should rest on integrating two principles – the principle of environmental protection and the principle of involvement of local communities. Crucial integration of environmental protection implies expansion and diversification of the tourist offer in such a way that by 2030 the construction of objects will be conditioned by architectural and landscape adaptation of the spatial plan of Montenegro. Involvement of local communities must go hand in hand with the development of tourism, both in the context of ensuring the production of quality local products (agriculture, crafts), as well as in securing a quality local tourist labor force that will carry a tourism offer. Local communities, i.e. all private accommodation providers will report their business, pay taxes accordingly and provide quality service."

Interviewee 2 also agreed on diversification of tourism product, while saying that "…highlighting the importance of cooperation with institutions such as international institutions (WWTC, UNWTO, etc.), civil sectors, local institutions, other economic sectors. To them tourism sector of Montenegro in ten years will offer many events with an international character, development of MICE tourism (abbreviation for Meetings, Incentives, Conferences, and Exhibition tourism– related to niche tourism concerning planning and booking of conferences, seminars, etc.) wellness offers, better valorization of the national parks. The country brand communication will include both 'wild nature' and 'high-end tourism' concepts. The tourism operators by 2030 will have more creative programme inducing the electric vehicles and developed roads across all country."

In order to implement strategy, collaboration between all relevant subjects that both directly and indirectly are related to tourism sector is the most important, especially when comes to creation and implementation of sustainable initiatives according to Interviewee 3. Further on, Interview 3 said that "…the sustainability strategy by 2030 will refer to improved level of services quality, developed specific forms of tourism with a special focus on cultural, rural, adventure and nature-based tourism, through connection of north and south area, improved air traffic quality, increased accommodation capacities of high classification and diversification of hotel offers with a special focus on the continental and northern regions." Interviewee 4 stated that "…by 2030 tourism industry will have restrictive approach to issuing permits for construction, especially in the southern area. Also it will continue to allocate the capital budget to the northern area of Montenegro, with constant work on strengthening entrepreneurship and the expansion of tourism offer besides the hotel offer."

Interviewee 5 stated that "… the tourism industry in Montenegro by 2030 will open new employment opportunities especially in summer/ winter season with all required trainings.

Also tourism by 2030 will continue to be one of the most important sectors with constant contribution to the economy of the country. New incentives schemes will develop for entrepreneurs and investors especially in the field of consumption of natural resources and preservation of the nature by reducing the water and electricity consumption. On the other side Interviewee 5 has stated that "monitoring by 2030 should be done accordingly". Lastly Interview 5 had made a point that "local offers will include better valorization of old, cultural buildings with more offered programs to variety of incoming tourist". All interviewees agreed that tourism in ten years will improve living standards of habitants, the communal infrastructure and link between the tourism sector and other sectors of the economy.

In the Figure 9 below is presented the destination statement by 2030 according to all previously mentioned findings, from both the questionnaire and semi-structured interviews. Destination statement presented below is used to describe how the tourism industry is likely to look like in agreed future date, in this case by the year 2030. It is subdivided into four perspectives, and first of all, the stakeholder expectations and financial performance have derived from the interview statements of 'constant growth, increase in employment and development of specific area'. In order to be as precise as possible I have used expectations regarding share, revenue, direct contribution, number of incoming tourists from the report by WTTC (2018). These indicators measure tourism contribution to the economy and can tell in numbers the current state of the industry and the expected state for incoming years.

Further step is defining the external stakeholders and desired relationship with them in order to achieve stakeholders' expectations. Main idea behind this destination statement is creation of the brand image whereas Montenegro will be defined as one of the top touristic destination while preserving its wild nature image and high-end tourism thorough open investments, good collaboration with both local and international institutions and communities. Process and capabilities statements refer to what needs to be developed, then to maintain the culture and required external relationship, as well as stakeholders' expectations in order to reach the desired state. For purpose of sustainability strategy in tourism industry measures such as waste and composting, cooperation between all involved actors, standardization of service, different niche tourism development, marketing of the country, incentive schemes, as well as green tourism, are important for goal achievement as presented in Figure 9.

 Last, but not the least, organization and culture perspective refer to how to develop and improve the performance and how to adapt to a particular change. Therefor, the statements characteristics of this perspective concern the required skills and trainings to relevant actors, working environment, as well as the nurtured culture of sustainability among all actors. Statements depicted in the same Figure below are mostly about training the tourism practitioners according to sustainability goals, diversification, according to law and regulation, etc.

Figure 9: Destination Statement of Montenegrin Tourism by 2030

Key Stakeholder Expectations (Owners & Tourists)	External Relationships
SE1 – Tourism revenue is up to nearly 1,528.3mn euros (now 988,2mn euros) **SE2** – Positive direct and indirect tourism contribution to GDP increases by 27 % (22% now) by 2030 **SE3** – The number of incoming tourists and overnight stays has increased by 4.5% to 2030 **SE4** – High percentage of capital investments has gone to northern area to achieve the growth of the area **SE5** – Direct employment in tourism industry has increased by 1.1 % (now 15,000 jobs) **SE6** – Tourism is in full operation through all year **SE7** – Tourism impact on climate changes has been reduced **SE8** – Montenegro is identified among tourists as a country worth visiting **SE9** – Tourism product is diversified **SE10** – Tourism offers meet the needs of every tourist **SE11** – Tourists are satisfied with the existing offer	**ER1** – Montenegro has good collaboration with international tourism organizations such as WTO, WTTC, International Air Transportation Association, United Federation of Travel Agents Association **ER2** – Montenegro has increased its presence on the international tourism, hospitality and property fairs **ER3** – Local habitants have increased their benefits from contributing into tourism development **ER4** – Montenegro has maintained good relationships with the media **ER5** – Ministry of Tourism and Development has preserved good relationships with other ministries (transport, foreign affairs, economics, finance, culture, etc.) that contribute to sustainability strategy implementation **ER6** – Montenegro has good relationship with other ministries in the region (EU) responsible for sustainable development **ER7** – Montenegro has continued using sourcing from EU funds (IPA funds, Central European Initiative) **ER8** – Preserved collaboration with educational institutions University of Montenegro and University of Donja Gorica **ER9** – Montenegro has preserved relationships with embassies that keep investing its funds into tourism development, such as Embassy of U.S., Embassy of Canada, Embassy of Norway **ER10** – Montenegro has been part of transnational and regional programs for overseas cooperation
Processes and Capabilities	**Organization and Culture**
P&C1 – Accommodation industry has implemented waste & composting measures **P&C2** – Cooperation exists between all actors (tourism business owners, local habitants, authorities, government, local and national tourism organizations, ministries) **P&C3** – Standardization of the service quality has been implemented in all tourism businesses **P&C4** – MICE tourism, health, cultural and sport tourism have been improved	**O&C1** – Sustainability tourism awareness is improved among local habitants and tourism business practitioners **O&C2** – Montenegro is an environmentally friendly destination **O&C3** – Tourism practitioners have completed trainings in support of the sustainability strategy implementation **O&C4** – National parks and historical sites have remained protected

(figure continues)

P&C5 – Country brand image as 'Wild beauty' destination and high/end tourism destination is communicated accordingly **P&C6** – Incentive schemes for environmental business practices are introduced to small and medium-sized enterprises in tourism industry at the level of acquiring alternative energy saving technologies **P&C8** – Voluntary initiatives have become part of the most hotels' operations **P&C9** – Innovation and entrepreneurship are cultivated among tourism business **P&C10** – Efficiency of resource usage has improved	**O&C5** – Air transportation has developed through introduction of the new airlines and flight routes **O&C6** – Road transportation has developed through construction of the highway (started in 2014) and reconstruction of the local high traffic capacity roads **O&C7** – All developments are according to law and regulations **O&C8** – All developments are done with minimal impacts on the environment **O&C9** – In tourism industry of Montenegro new jobs are created **O&C10** – Tour operators and agents have participated in study tours and relevant workshops in collaboration with international tour operators and its partners

Source: own work.

4.3 Montenegro Sustainability Strategy 2020–2030

Sustainability strategy for tourism industry in Montenegro 2020–2030 can shortly be stated as following:

"Tourism in Montenegro preserves the natural and socio-cultural environment by nurturing the landscape authenticity and heritage of the country based on the principles of sustainable tourism development through stakeholders' participation, creating diversified and high quality tourism product, contributing to the country's economy and supporting local communities."

The main idea is to preserve the country's authenticity and identity through constant investment into sustainable practices regarding tourism. It is of vast importance to have collaboration on local, national and as well as on industry level, as activities from one industry could have positive or/and negative effects on the other industry. In order to achieve the Destination Statement 2030, I have created eight strategic activities (hereinafter: SA) and outlined their consequences as strategic outcomes (hereinafter: SO). The causal relationships between strategic activities and strategic outcomes are presented in a strategic linkage model (see Figure 10 below).

On the top of the strategic linkage model are the main strategic outcomes described as increase in GDP contribution (S010), increase in local community benefits (SO11) and decreased impact on climate change (SO12). The increase in GDP contribution results from

an increase in tourism revenue (SO9) that is an outcome of an increase in number of tourists (SO6) and an increase in average length of the stay (SO7). Increase in number of tourists (SO6) is a result of tourism throughout the year (SO3) and an increase in customer satisfaction (SO5). Tourism through the year (SO3) is an outcome of the capital investment in tourism in the northern area (S01) that results from the investment in transportation infrastructure (SA1). Increase of average length of the stay (SO7) is a result of an increase in customer satisfaction (SO5) that is an outcome of increased product diversification (SO2) and Montenegro is a leading sustainability destination (SO4) by introducing practitioner trainings (SA8) as well as introducing tourism management standards (SA4). Increased product diversification (SO2) is an outcome of the capital investment in tourism in the northern area (SO1) contributed by the investment in natural parks and historic sites (SA2). Introduction of the practitioner trainings (SA8) results from introduction of tourism management standards (SA4) that further resulted from the investment in transportation infrastructure (SA1) and promotion of the cooperation between actors (SA3).

Figure 10: Montenegro Sustainability Strategy 2020 - 2030

Source: own work.

48
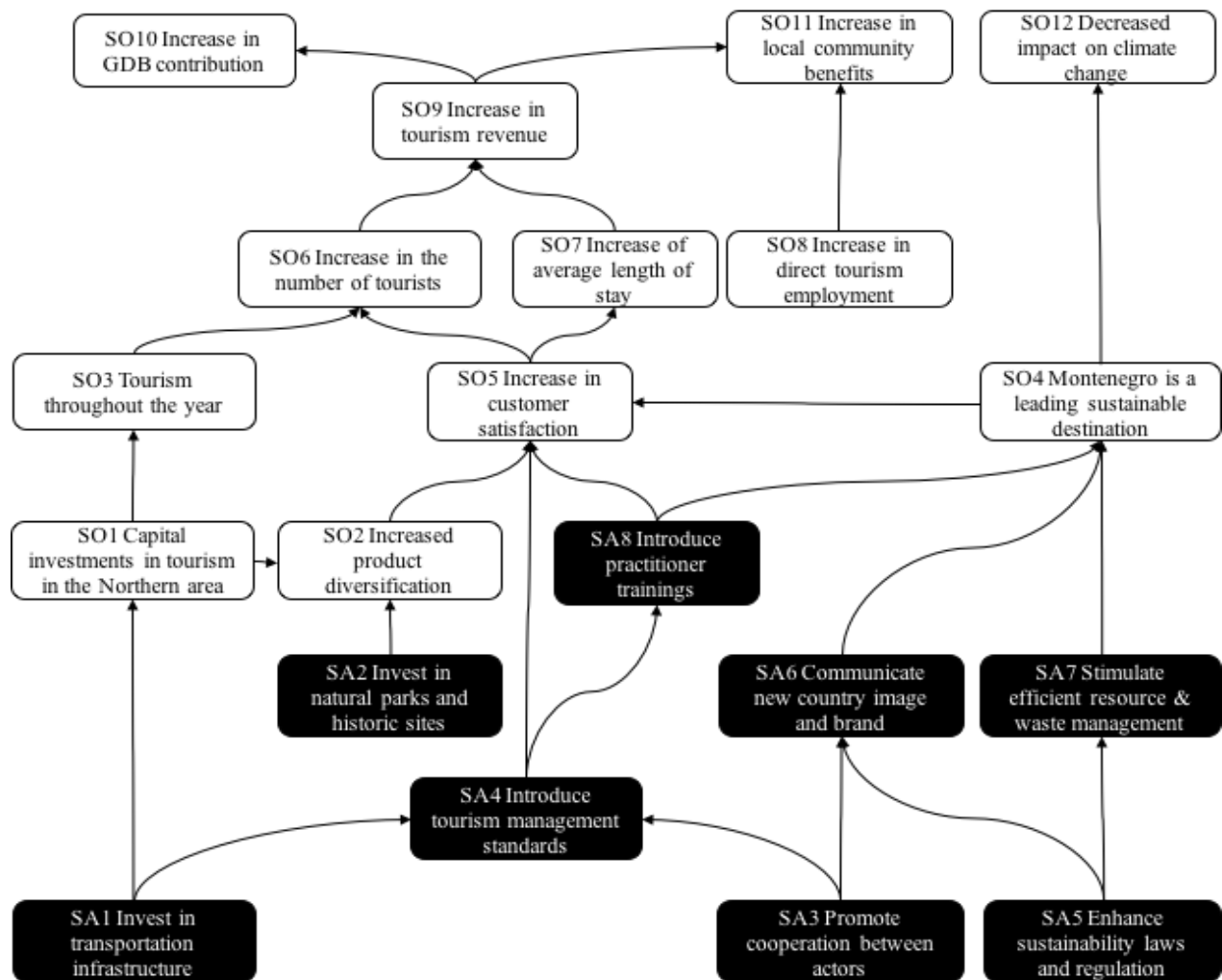
Increase in local community benefits (SO11) is an outcome of an increase in direct tourism employment (SO8). Decreased impact on climate change (SO12) results from an outcome that Montenegro is a leading sustainability destination (SO4) achieved by stimulating efficient resource & waste management (SA7), communicating the new country image and brand (SA6) and introducing the practitioner trainings (SA8). Stimulation of efficient resource & waste management (SA7) results from an enhanced sustainability laws and regulation (SA5). To communicate new country image and brand (SA6) is contributed by an enhanced sustainability laws and regulation (SA5) and promotion of the cooperation between actors (SA3).

All strategic activities are described in the Appendix 10 based on the so-called Activity Definition Form. It consists of an activity name, activity owner, description, responsible team and possible risks, issues and dependencies.

4.3.1 Strategic Performance Measurement

Key performance indicator (hereinafter: KIP) is used to enable measurement of a project, organizational performance or a strategy evaluation. KPI is defined as a key driving factor that is formulated and based on the established strategy in order to quantify its execution (Pan & Wei, 2012). The measures can be defined by either the qualitative or the quantitative results. For each strategic outcome and strategic activity from Figure 10 it is necessary to develop KPIs to keep track of the sustainability strategy execution. Figure 11 lists KPIs and some of SO and SA have more than one KPI as seen in the figure below.

Figure 11: Key Performance Indicators for Strategic Outcomes and Strategic Activities

Strategic Outcome (SO)/Strategic Activity (SA)	Key Performance Indicators (KPI)
The capital investment in tourism in the northern area (S01)	Percentage of total investments in tourism industry Return on investment
Increased product diversification (SO2)	Number of services and products in tourism industry
Tourism throughout the year (SO3)	Number of day visitors (% increase/decrease)
Montenegro is a leading sustainability destination (SO4)	Number of business in tourism industry participating in green tourism accreditation schemes and environmental certification Ratio of number of visitors to the population on yearly basis

(figure continues)

Strategic Outcome (SO)/Strategic Activity (SA)	Key Performance Indicators (KPI)
Increase in customer satisfaction (SO5)	Percentage of visitors who rate the overall visitor experience as good or excellent Tourism business classification rating
Increase in number of tourists (SO6)	Number of visitors (% increase/decrease)
Increase in average length of the stay (SO7)	Average stay of visitors in days
Increase in local community benefits (SO11)	Percentage increase in local jobs in tourism industry
Decreased impact on climate change (SO12)	Carbon footprint of tourism industry
Investment in transportation infrastructure (SA1)	Value of investment by each transportation infrastructure (airports & airlines, ports, roads, railways, cycling, waterways, bridges & tunnels and walkways) Number of in and out-coming air flights by operators
Investment in natural parks and historic sites (SA2)	Total value of investment in natural parks and historic sites Return on investment
Promote cooperation between actors (SA3)	Number of implemented projects Actors appraisal survey
Introduce tourism management standards (SA4)	Percentage share of business incorporated management standards
Enhance sustainability laws and regulation (SA5)	Number of businesses that operate according to law and regulation Business implementation appraisal
Communicate new country image and brand (SA6)	Percentage change in brand awareness Value of visitor spending resulted from marketing activities Number of attendant exhibitions/ fairs Number of executed marketing campaigns
Stimulation of efficient resource & waste management (SA7)	Number of tourism business implemented energy-efficient devices Number of tourism business implemented waste sorting, recycling and reuse
Introduce the practitioner trainings (SA8)	Number of practitioners in trainings Practitioners appraisal survey

Source: own work.

4.4 Challenges of Strategy Implementation

The last question of the semi-structured interview was about opinion towards main challenges in strategy implementation. Interviewee 1 said that "…the most challenging would be clear target settings, adequate financial resources and incentive schemes for environmental practices." Epstein and Rejc Buhovac (2010) state that often for a business it is easier to conduct actions that reduce few impacts on environment at once comparing to specific ones that take time and require significant amount of money. Many companies have programs that provide awards to employees for exemplary sustainability performance. In some cases, awards are given to teams rather than individuals. They vary from cash gifts and various methods of acknowledging the achievement to banquets, plaques, and so on. Other companies have tied individual performance reviews and compensation explicitly to social, environmental and economic performance. They have established sustainability performance as a critical variable for compensation and incentive system (Epstein & Rejc Buhovac, 2014, pp. 130-131).

Interviewee 2 has stated that "…strengthening of capacities is necessary at all levels, activation of local inhabitants through continuous training, but the main challenge would be to find appropriate personnel from public institutions that would implement and resolve any issue regarding strategy clarification and implementation." Further, both Interviewee 1 and 2 had concerns about available funds to achieve all objectives accordingly. In addition to the above, Interviewee 3 said that "…to some extent changing political environment as well as overall socio-cultural changes will be challenges for appropriate implementation. Also the construction and improvement of traffic networks is highly challenging as seen from the current situation with the highway, when comes to meeting the deadlines and payments that surely could indirectly have a major influence on tourism industry." Interviewee 4 added that "…the possible negative reaction to strict construction restrictions could lead to rejection on collaboration and fewer foreign investments into real estate and hospitality. This for sure could create a gray area to avoid the restrictions. On the other side due to obvious climate change, some landscapes and tourism offers could be affected negatively, so it will be challenging to create a tool or a strategy that will cope with upcoming outcome of the climate change impacts." Challenges according to Interviewee 5 are related to incentives, skilled management and practitioners saying that "It will be challenging to create preconditions and incentives for further development of investments in the field of tourism, e.g. infrastructure, tax reliefs. Investing in new knowledge and skills in this industry will be crucial in order to create high quality personnel. However, it will be also challenging to conduct activities that lead to the reduction of administrative and business barriers at the local level." All interviewees agreed that the greatest forthcoming challenges of the strategy relate to the effectiveness of the implementation of the action plan and many indicators of the success defined.

On the top of the sustainability strategy implementation challenges are the global challenges in tourism and travel industry. These include globalization and localization of tourism industry, reliable and safe infrastructure, taxation, travelers' safety and travel marketing. Therefore, it is important to keep track of these challenges and their effects while implementing and monitoring sustainability strategy, so that everyone can react accordingly as unexpected events occur.

4.5 Research Implications

The main analytical findings indicate that there is high potential to improve the current sustainability state of Montenegro tourism industry. Despite the numerous national documents and policies, actual performance does not show significant improvements in terms of sustainability performance. .

This study represents a significant contribution to the existing literature on sustainability strategy implementation for a specific industry, in this case tourism. This kind of research is the only one performed in the territory of Montenegro and even in the region. It offers step-by-step instructions on how to use the 3rd Generation Balanced Scorecard method for strategy formulation. Also, it provides novel information regarding tourism industry in the EU and Montenegro from the perspective of various indicators. This study is useful for other developing countries in the region, as well as industries. The questionnaire-based method could be further adapted and used to statically examine relationship and attitudes towards sustainability. Also the study can be adapted on smaller scales, i.e. businesses from particular industry, privately or state-owned.

However, the limitation throughout research exists especially when it comes to collecting the relevant data. Firstly, data regarding the current sustainability performance e of Montenegrin tourism industry, precisely measurement of environmental and social performance set by the national strategic documents, was not available; moreover, there was little awareness of it. This fact made it impossible to set baseline indicators for selected strategic KPIs. The next limitation is a relatively small number of questionnaire respondents. This especially refers to tourism operators and state-owned businesses. Nevertheless, the questionnaire was launched primarily to understand sustainability attitudes of key actors in the Montenegrin tourism industry and their practices. Lastly, another limitation is the absence of direct involvement of tourism practitioners throughout the strategy creation process. In an ideal scenario, this could be done with focus groups or by using the Delphi method.

This opens avenues for future research. I suggest a detailed examination of how to most effectively implement the proposed sustainability strategy and who to assign as responsible owners for each strategic activity and outcome. Also, it would be interesting to develop strategies for each region separately, and/or for accommodation industry. To conclude, there exists a room for future research.

CONCLUSION

Tourism industry in Montenegro is one of the main industries facing development challenges and has a major room for improvement. As it contributes to a major percentage share in GDP of the country, constant investments are needed, especially when it comes to being a sustainable industry. Therefore, the creation of a national strategic document that will tackle challenges and possible opportunities is highly needed for a better alignment of the main actors in this industry.

The main goals of this master's thesis was to establish sustainability strategy for tourism industry in Montenegro for upcoming period 2020 to 2030. The idea was to improve the current methodological approach and simplify the strategy communication towards different actors. The research results indicate that business practitioners in tourism have improved their attitudes towards sustainability in tourism. Their viewpoints on the future state of the Montenegrin tourism industry established a baseline for the formulation of sustainability strategy proposal. Compared to the Montenegrin tourism strategy until 2020, in the proposed sustainability strategy places more attention to environmental practices, cooperation and development of tourism practitioners and policy makers, as well as development of novel products and services.

More specifically, the proposed strategy aims to increase tourism contribution to GDP (economic performance) as well as local community benefits (social and economic performance), and decrease the tourism impact on climate change (environmental performance). The increase in GDP contribution will result from an increase in the number of tourists and the average length of their stay. If we succeed in achieving higher customer satisfaction, the number of tourists is expected to be present throughout the year. To achieve this, new capital investments in the northern area are required, particularly investments in transportation infrastructure. On the other hand, increased product diversification is needed, as well as achieving the brand of one of the leading sustainability destination. I propose introducing practitioner trainings as well as introducing tourism management standards to support such branding. Increased product diversification can be further supported by investments in natural parks and historic sites. Finally, we need to promote cooperation between various actors.

To increase local community benefits, direct tourism employment must go up first. Decreased impact on climate change, on the other hand, will result from sustainable tourism practices and investments. We should stimulate efficient resource and waste management, communicate the new country image, and encourage practitioner sustainability trainings. The policy makers need to enhance sustainability laws and regulation and promote the cooperation between actors.

This thesis gives addition to the literature with regards to sustainability tourism and sustainability strategy formulation for tourism industry of a particular country by using the third Generation of the Balanced Scorecard. Also this thesis provides a picture of the current state of tourism industry in Montenegro and in which direction to move in order to reach the desired state. To conclude, the constant changes incurred by globalization and fast-pace lifestyle imply transformation of major industries towards more sustainable investments, policies, and practices.

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APPENDICES

Appendix 1: Summary of Master's Thesis in Slovene

Turizem v Črni gori, ki je ena od tamkajšnjih glavnih gospodarskih dejavnosti, se sooča z mnogimi izzivi in ima hkrati še veliko prostora za napredek. V Črni gori turizem veliko prispeva k bruto domačemu proizvodu in zato zahteva kontinuirane investicije, še posebej na področju razvoja trajnostnega turizma. Za boljšo komunikacijo med posameznimi turističnimi akterji Črna gora potrebuje nacionalno trajnostno strategijo, ki bo naslovila tako izzive kot priložnosti. Bistven del te strategije sta pravilno spremljanje in ocenjevanje uspešnosti.

Namen magistrskega dela je prispevati k temu, da bo črnogorsko Ministrstvo za trajnostni razvoj in turizem bolj uspešno obvladovalo trajnostna tveganja in izzive. Glavni **cilj** magistrskega dela je predlog nacionalne trajnostne strategije za turizem za obdobje od 2020 do 2030, ki bo prispeval k ustrezni umestitvi turizma v druge sektorje gospodarstva. Osrednje gonilo magistrskega dela je **raziskovalno vprašanje:** »Kateri so ključni elementi trajnostne strategije za turizem v Črni gori?«. V tem kontekstu sem iskala odgovore na naslednja vprašanja:

- Kakšen je odnos črnogorskih turističnih managerjev do koncepta trajnosti v turizmu?
- Kaj so cilji turističnega sektorja Črne gore do 2030?
- Katere naj bodo glavne strateške aktivnosti trajnostne strategije turizma v Črni gori za obdobje od 2020 do 2030?

V teoretičnem delu magistrskega dela sem pregledala akademsko in strokovno literaturo s področja relevantne tematike (uporabila sem spletne baze akademske literature, kot so Science Direct, Sage, Sci Hub, idr.). V empiričnem delu sem se osredotočila na regulatorni okvir turizma v Črni gori in obstoječe nacionalne strateške dokumente na temo trajnostnega razvoja, ki jih je predlagalo Ministrstvo za trajnostni razvoj in turizem. Mednje spadajo Glavni načrt iz leta 2001, Strategija za razvoj turizma do leta 2020 in Nacionalna strategija za trajnostni razvoj do 2030. V nadaljevanju sem razvila vprašalnik, ki mi je pomagal razumeti pogled črnogorskih managerjev na trajnostne poslovne prakse v turizmu. Zbrane podatke sem analizirala s pomočjo SPSS, kjer sem uporabila deskriptivno bivariatno korelacijo. Nazadnje sem izvedla še delno strukturirane intervjuje s predstavniki turističnih delavcev. Na podlagi vseh teh primarno zbranih podatkov sem z uporabo metodologije *Balanced Scorecard 3. generacije* razvila Trajnostno strategijo turizma v Črni gori za obdobje od 2020 do 2030.

Rezultati raziskave kažejo, da so podjetniki v turizmu naklonjeni uvedbi trajnostnih konceptov skozi različne aktivnosti, vendar v sodelovanju z drugimi akterji iz turizma in z oblastmi. Vidik turističnih delavcev je podlaga za pripravo predloga trajnostne strategije. Če primerjamo le to s strategijo, ki je v veljavi do leta 2020, vidimo, da novi predlog strategije posveča več pozornosti okoljskim aktivnostim, medsektorskemu sodelovanju in razvoju novih turističnih produktov in storitev. Osrednji cilj je ohranitev državne pristnosti in

identitete skozi kontinuirano investiranje v trajnostne prakse na področju turizma. Nadvse pomembno je, da sodelujejo lokalna skupnost, država in gospodarstvo, saj imajo lahko aktivnosti enega sektorja pozitivne in/ali negativne učinke na druge sektorje. Z uporabo metode *Balanced Scorecard 3. generacije* zapišem vizijo strateškega uspeha turističnega sektorja Črne gore v letu 2030, za dosego vizije pa razvijemosem strateških aktivnosti ter jih vzročno posledično povežem s strateškimi rezultati v strateški diagram. Pripravim tudi sistem kazalcev za strateško kontrolo za spremljanje uresničevanja strategije.

To magistrsko delo dopolnjuje literaturo s področja trajnostnega turizma in trajnostnih konceptov v oblikovanju trajnostnih turističnih strategij na državni ravni z uporabo metode *Balanced Scorecard 3. generacije*. Prikaže trenutno stanje turizma v Črni gori in predlog strateških aktivnosti v smeri trajnostnega razvoja turizma. Zaključim lahko, da neprestane spremembe, ki jih narekujeta globalizacija in hiter življenjski slog, pomenijo usmeritev celotnih sektorjev v bolj trajnostno razmišljanje in temu ustrezno oblikovanje prihodnosti sveta.

Appendix 2: 12 aims for sustainable tourism

1.ECONOMIC VIABILITY: To ensure the viability and competitiveness of tourism destinations and enterprises, so that they are able to continue to prosper and deliver benefits in the long term.

2. LOCAL PROSPERITY: To maximize the contribution of tourism to the prosperity of the host destination, including the proportion of visitor spending that is retained locally.

3. EMPLOYMENT QUALITY: To strengthen the number and quality of local jobs created and supported by tourism, including the level of pay, conditions of service and availability to all without discrimination by gender, race, disability or in other ways.

4. SOCIAL EQUITY: To seek a widespread distribution of economic and social benefits from tourism throughout the recipient community, including improving opportunities, income and services available to the poor.

5. VISITOR FULFILMENT: To provide a safe, satisfying and fulfilling experience for visitors, available to all without discrimination by gender, race, disability or in other ways.

6. LOCAL CONTROL: To engage and empower local communities in planning and decision making about the management and future development of tourism in their area, in consultation with other stakeholders.

7. COMMUNITY WELLBEING: To maintain and strengthen the quality of life in local communities, including social structures and access to resources, amenities and life support systems, avoiding any form of social degradation or exploitation.

8. CULTURAL RICHNESS: To respect and enhance the historic heritage, authentic culture, traditions and distinctiveness of host communities.

9. PHYSICAL INTEGRITY: To maintain and enhance the quality of landscapes, both urban and rural, and avoid the physical and visual degradation of the environment

10. BIOLOGICAL DIVERSITY: To support the conservation of natural areas, habitats and wildlife, and minimize damage to them.

11. RESOURCE EFFICIENCY: To minimize the use of scarce and non-renewable resources in the development and operation of tourism facilities and services.

12. ENVIRONMENTAL PURITY: To minimize the pollution of air, water and land and the generation of waste by tourism enterprises and visitors.

Source: UNWTO & UNEP (2005).

Appendix 3: Number of incoming tourists and overnight stays in 2017

Table 1: Number of Tourists 2017

Accommodation Type	Incoming			Overnight Stay		
	Foreign	Local	Total	Foreign	Local	Total
	-1	-2	(3)=(1)+(2)	-1	-2	(3)=(1)+(2)
Total	**1,877,212**	**122,797**	**2,000,009**	**11,470,132**	**483,184**	**11,953,316**
Private accommodation	**843,609**	**111,890**	**955,499**	**3,459,000**	**431,370**	**3,890,370**
Hotel	559,911	69,732	629,643	2,301,634	198,999	2,500,633
Garni hotel	32,596	2,427	35,023	105,437	6,252	111,689
Small hotel	107,271	10,839	118,110	295,775	29,220	324,995
Boutique hotel	19,697	634	20,331	48,933	1,082	50,015
Apart hotel	7,548	503	8,051	39,765	1,778	41,543
Tourism community	62,918	4,137	67,055	380,081	18,927	399,008
Motel	438	127	565	1,035	256	1,291
Inn	729	24	753	1,047	56	1,103
Guest house	4,391	250	4,641	30,168	2,238	32,406
Camp	6,746	266	7,012	23,974	668	24,642
Ethno village	1,371	148	1,519	2,773	268	3,041
Eco lodge	238	49	287	238	49	287
Resort	12,760	13,595	26,355	82,170	49,025	131,195
Hostel	16,946	287	17,233	49,070	2,238	51,308
Health resort	10,049	8,872	18,921	96,900	120,314	217,214
Individual touristic accommodation	**1,033,603**	**10,907**	**1,044,510**	**8,011,132**	**51,814**	**8,062,946**

Source: Monstat (2018).

Appendix 4: Number of establishments and beds by categorization in Montenegro in 2017

Table 1: Number of Bed and Establishments in 2017

Accommodation capacities in MNE	Number of establishments	Beds
Total	**370**	**45,753**
Hotel	**118**	**26,486**
Five stars *****	3	1469
Four stars ****	61	14079
Three stars ***	28	4120
Two stars **	22	6263
One star *	4	555
Garni hotel	**39**	**1,709**
Four stars ****	16	800
Three stars ***	21	856
Two stars **	2	53
Small hotel	**134**	**4,755**
Five stars *****	3	56
Four stars ****	53	1870
Three stars ***	56	2030
Two stars **	21	789
One star *	1	10
Boutique hotel	**9**	**319**
Five stars *****	3	147
Four stars ****	6	172
All-suite hotel	**10**	**1,020**
Four stars ****	5	391
Three stars ***	3	142
Two stars **	1	72
One star *	1	415
Tourist resort	**5**	**3,988**
Four stars ****	1	941
Three stars ***	3	2024
One star *	1	1023
Motel	**4**	**97**
Three stars ***	3	57
Two stars **	1	40
Inn	**3**	**99**

(table continues)

Three stars ***	2	59
Two stars **	1	40
Boarding house	**12**	**574**
Three stars ***	4	190
Two stars **	5	246
One star *	3	138
Camping site	**10**	**2,273**
Four stars ****	2	775
Three stars ***	3	262
Two stars **	2	895
One star *	3	341
Ethno village	**1**	**101**
Eco lodge	**1**	**35**
Vacation facility	**12**	**1,815**
Hostel	**11**	**1,005**
Spas	**1**	**1,457**

Source: Monstat (2018).

Appendix 5: The short overview of the NSSD of Montenegro

Long-term strategic goal	Improving quality of life of individuals in Montenegro in the long term.
Contribution of the strategy to economic development of ME	Getting back to economic growth above the potential one, i.e. realistic growth of GDP in the amount of 3-4%; Reducing deficit in the public finances and acquiring balanced budget; Reducing share of informal economy.
Strategy is based on	Concept „green economy" Development priorities: tourism, energy, agriculture and rural development and industry Relevant sector strategies, and Macroeconomic and fiscal framework 2015–2017

Source: NSSD (2016).

Appendix 6: Questionnaire

Dear Sir or Madam,

This questionnaire is made for the purpose of a Master Thesis research entitled "SUSTANABILITY STRATEGY FOR TOURISM INDUSTRY IN MONTENEGRO". Since your company's main activity falls under this category, you are invited to participate and contribute to the interpretation of relevant results.

The main purpose of this thesis is to analyze the attitudes towards sustainability practices in tourism industry, which becomes increasingly important concept in the world and the EU. The research has been undertaken only for academic purpose and it will be in full confidentiality as information about your company will remain undiscovered. The information provided by you will be used only for the purpose of this thesis. In case you have any questions regarding the questionnaire and the research itself, you can contact me at vanjaa@live.co.uk

Part 1: Characteristics of the business

1. What is the type of your business?

- Hotel
- Hostel
- Private accommodation
- Restaurant
- Bar
- Ethno village
- Transportation agency

2. Where is your business located?

- Coastal area
- Central area
- Northern area

3. What classification does the business have?

- 5 stars
- 4 stars
- 3 stars
- 2–1stars
- No classification

4. This business is:

- Privately owned
- State owned
- Franchise
- Hotel group
- Other: _____

5. How many full-time employees does the business have?

- 0–9 employees
- 10–19 employees
- 20–49 employees
- 50–249 employees
- 250+ employees

6. How many part-time or seasonal employees does the business employ?

- 0–9 employees
- 10–19 employees
- 20–49 employees
- 50–99 employees
- 100–149 employees
- 150+ employees

7. How long has the business been operating? _____ (Please indicate the number of years since opening year)

8. What is your annual average turnover?

- Up to 10,000€
- 10,001€–50,000€
- 50,001€–100,000€
- 100,001€–500,000€
- More than 500,001€

Part 2: Attitudes towards influencing on social and economic advancement of the country and its economy

9. Please answer the following statements (Strongly agree- Agree- Slightly Agree- Slightly Disagree- Disagree- Strongly disagree). Tick one box only for each statement.

I think my business can have and influence on social and economic advancement of my country and economy in following areas:

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
An increase in the competitiveness of the economy	☐	☐	☐	☐	☐	☐
Improvement in employee engagement and adjustment of resources to actual needs	☐	☐	☐	☐	☐	☐
Development of intellectual capital and knowledge-based economy	☐	☐	☐	☐	☐	☐
Energy and climate security	☐	☐	☐	☐	☐	☐
Social capital development of your country & economy	☐	☐	☐	☐	☐	☐
Infrastructure	☐	☐	☐	☐	☐	☐
Prevention of social inequality	☐	☐	☐	☐	☐	☐

Part 3: Attitudes towards sustainability and sustainable tourism

10. Please answer the following statements (Strongly agree- Agree- Slightly Agree- Slightly Disagree- Disagree- Strongly disagree). Tick one box only for each statement.

My opinion is that

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
Tourism development should meet the needs of present tourists and a destination while protecting and enhancing opportunities for the next generations.	☐	☐	☐	☐	☐	☐
All resources ought to be managed in a way that economic, social and environmental needs of present tourist and host regions can be fulfilled	☐	☐	☐	☐	☐	☐

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
while protecting for the future.						
Tourism development can put pressure on natural resources and contribute to negative effects on the environment (pollution, depletion of resources, climate change, etc.).	☐	☐	☐	☐	☐	☐
The tourism industry can have negative socio-cultural impacts on the local community (behavior patterns, community structure, values and beliefs, etc.).	☐	☐	☐	☐	☐	☐
The tourism industry can have negative economic impacts for a destination (decline of traditional employment and seasonal unemployment, money leakages from the local area, inflation, etc.).	☐	☐	☐	☐	☐	☐

Part 4: Attitudes towards responsibility for sustainable tourism development

11. Please answer the following statements (Strongly agree- Agree- Slightly Agree- Slightly Disagree- Disagree- Strongly disagree). Tick one box only for each statement.

My opinion is that

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
The public sector should bear the primary responsibility for sustainable tourism development.	☐	☐	☐	☐	☐	☐
Every business has responsibility to contribute to sustainable tourism development.	☐	☐	☐	☐	☐	☐
Government is required to introduce more regulations and control standards for sustainable business practices.	☐	☐	☐	☐	☐	☐
Voluntary initiatives such as eco-labels and certification schemes, prizes and awards, environmental management systems, codes of conduct are the best way to encourage sustainability in the tourism industry.	☐	☐	☐	☐	☐	☐

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
Businesses in tourism industry would be more likely to take action on sustainability if they have contributed directly to policy making in this area.	☐	☐	☐	☐	☐	☐

Part 5: Sustainable business practice in your business

12. Please answer to the following statements (Strongly agree- Agree- Slightly Agree- Slightly Disagree- Disagree- Strongly disagree). Tick one box only for each statement.

We, as a business

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
Take measures to reduce energy consumption	☐	☐	☐	☐	☐	☐
Implement recycling and composting programs in all departments	☐	☐	☐	☐	☐	☐
Introduced water saving measures in all departments	☐	☐	☐	☐	☐	☐
Purchase environmentally friendly products (e.g. ecological detergents, unbleached fabrics, reusable items, etc.)	☐	☐	☐	☐	☐	☐
Encourage eco-friendly behavior by tourists through awareness raising and information (e.g. public transport, water and energy saving advices)	☐	☐	☐	☐	☐	☐
Develop business plans to ensure long-term profitability and financial viability of the business	☐	☐	☐	☐	☐	☐
Focus on buying local products	☐	☐	☐	☐	☐	☐
Strive for business growth through product innovation and quality	☐	☐	☐	☐	☐	☐

Have a long-term commitment to all our employees and encourage their personal and professional development through trainings, career planning, equal promotion opportunities, etc.	☐	☐	☐	☐	☐	☐
Value our staff through paid levels, employment benefits and rewards over the legal minimum requirements	☐	☐	☐	☐	☐	☐
Sponsor and/or support at least one community action or group	☐	☐	☐	☐	☐	☐
Inform tourists about local customs, cultural and historical heritage	☐	☐	☐	☐	☐	☐
Provide and promote authentically traditional food and drink	☐	☐	☐	☐	☐	☐
Support local initiatives to promote and enhance appreciation for cultural and historical heritage	☐	☐	☐	☐	☐	☐
Our business has a formal policy about its sustainable business practices	☐	☐	☐	☐	☐	☐
We have clearly defined indicators and strategies for our sustainable business practices	☐	☐	☐	☐	☐	☐
We regularly monitor our sustainable business practices	☐	☐	☐	☐	☐	☐
We regularly report our sustainable business performance to our employees	☐	☐	☐	☐	☐	☐
We regularly report our sustainable business performance to external stakeholders, such as shareholders, investors, community, local and international guest	☐	☐	☐	☐	☐	☐
We strive to develop strategies to improve our sustainable business performance	☐	☐	☐	☐	☐	☐

Part 6: Benefits of sustainable business practices

13. Please answer the following statements (Strongly agree- Agree- Slightly Agree- Slightly Disagree- Disagree- Strongly disagree). Tick one box only for each statement.

The main reasons for implementing sustainable business practices are:

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
Reduction of costs	☐	☐	☐	☐	☐	☐
Reduction of negative impacts on social, cultural and ecological environment	☐	☐	☐	☐	☐	☐
Enhancing reputation and image of the business	☐	☐	☐	☐	☐	☐
Increase in customer satisfaction, awareness and demand	☐	☐	☐	☐	☐	☐
Increase in employee job satisfaction	☐	☐	☐	☐	☐	☐
Improvement of the relationship with the local community	☐	☐	☐	☐	☐	☐
Business/ corporate philosophy	☐	☐	☐	☐	☐	☐
Other (please, specify):						

Part 7: Barriers of sustainable business practices

14. Please answer to the following statements (Strongly agree- Agree- Slightly Agree- Slightly Disagree- Disagree- Strongly disagree). Tick one box only for each statement.

The main barrier for implementing sustainable business practices are:

	Strongly Agree	Agree	Slightly Agree	Slightly Disagree	Disagree	Strongly Disagree
High implementation costs	☐	☐	☐	☐	☐	☐
High complexity of sustainability practices	☐	☐	☐	☐	☐	☐
Lack of consumer pressure	☐	☐	☐	☐	☐	☐
Lack of government incentives	☐	☐	☐	☐	☐	☐
Companies' reluctance to invest	☐	☐	☐	☐	☐	☐
Inadequate education of management team	☐	☐	☐	☐	☐	☐
Misunderstanding of the idea by companies' management teams	☐	☐	☐	☐	☐	☐
Economic crisis	☐	☐	☐	☐	☐	☐
Absence in the media and public debate	☐	☐	☐	☐	☐	☐

Thank you for taking your time to answer all questions.

Vanja Abramovic, IMB student of 23rd generation, University of Ljubljana, Slovenia

Table 1: Frequency Distributions for Individual Questions

Business Influence	N	Mean	Median	Mode	Std. Deviation
The competitiveness of the economy	36	1.81	2.00	2	0.856
Employee engagement and adjustment of resources	36	1.61	1.00	1	0.994
Development of intellectual capital and knowledge-based economy	36	1.97	2.00	1	1.028
Energy and climate security	36	2.64	3.00	3	1.417
Social capital development	36	1.94	1.50	1	1.218
Infrastructure	36	2.53	2.00	1	1.383
Prevention of social inequality	36	2.53	2.00	2	1.464

General Attitude	N	Mean	Median	Mode	Std. Deviation
Meet the needs with concerns for future	36	1.39	1.00	1	0.645
Efficient resource management	36	1.42	1.00	1	0.649
Negative environmental impacts	36	2.81	2.00	1	1.864
Negative socio-cultural impacts	36	3.94	4.00	5	1.672
Negative economic impacts	36	4.03	5.00	5	1.765

Responsibility	N	Mean	Median	Mode	Std. Deviation
Public sector responsibility	36	4.6111	5.0000	5.00	1.24849
Business responsibility	36	1.92	2.00	1	1.079
Government responsibility	36	5.1944	5.0000	6.00	0.78629
Voluntary initiatives	36	2.11	2.00	2	0.950
Participation in policy making	36	2.28	2.00	2	1.137

Sustainable Business Practices Environmental	N	Mean	Median	Mode	Std. Deviation
Reduce energy consumption measures	36	1.83	2.00	2	0.775
Implementation recycling and composting	36	2.31	2.00	3	1.117
Water saving measures	36	2.33	2.00	2	1.309
Purchase environmentally friendly products	36	2.08	2.00	2	1.052
Encourage eco-friendly behavior	36	2.08	2.00	2	1.052

Sustainable Business Practices Economic	N	Mean	Median	Mode	Std. Deviation
Develop business plans	36	1.67	1.00	1	1.014
Buying local products	36	1.50	1.00	1	0.697
Product innovation and quality	36	1.44	1.00	1	0.607
Long-term commitment to employees	36	1.58	1.00	1	0.937
Paid levels, employment benefits and rewards over the legal minimum requirements	36	1.67	1.00	1	0.894

Sustainable Business Practices Socio-cultural	N	Mean	Median	Mode	Std. Deviation
Sponsor and/or support at least one community action or group	36	1.72	1.00	1	0.944
Inform tourists about local customs, cultural and historical heritage	36	1.44	1.00	1	0.735
Traditional food and drink promotion and sale	36	1.56	1.00	1	0.998
Local initiatives support	36	1.58	1.00	1	0.732

(table continues)

Table 1: Frequency Distributions for Individual Questions (continued)

Strategic Planning	N	Mean	Median	Mode	Std. Deviation
Formal policy for sustainable business practices	36	2.28	2.00	1	1.386
Defined indicators and strategies	36	1.92	2.00	1	0.967
Monitor sustainable business practices	36	1.92	2.00	1	0.937
Report our sustainable business performance to our employees	36	2.11	2.00	1	1.166
Report our sustainable business performance to external stakeholders	36	2.33	2.00	1	1.373
Develop strategies to improve sustainable business performance	36	1.75	2.00	2	0.841

Source: own work.

Appendix 8: Spearman Correlation Coefficient Test for Variables Used

Table 1: Spearman Correlation Coefficient Test for Variables Used

Spearman's Correlations		Business Influence	General Attitude	Responsibility	Overall Action	Environmental actions	Economical actions	Socio-cultural actions	Barriers	Strategic planning	Benefits
Business Influence	rho	1.000	0.197	.478**	.640**	.583**	.581**	.496**	-0.035	0.518**	0.67**
	p		0.249	0.003	0.000	0.000	0.000	0.002	0.839	0.001	0
	N	36	36	36	36	36	36	36	36	36	36
General Attitude	rho	0.197	1.000	0.301	0.094	0.091	0.070	0.155	0.106	0.134	0.193
	p	0.249		0.074	0.584	0.596	0.686	0.368	0.539	0.435	0.258
	N	36	36	36	36	36	36	36	36	36	36
Responsibility	rho	.478**	0.301	1.000	.380*	0.253	.523**	0.282	0.096	0.181	0.506**
	p	0.003	0.074		0.022	0.136	0.001	0.096	0.578	0.291	0.002
	N	36	36	36	36	36	36	36	36	36	36
Overall Actions	rho	.640**	0.094	.380*	1.000	.898**	.886**	.819**	-0.068	0.675**	0.701**
	p	0.000	0.584	0.022		0.000	0.000	0.000	0.693	0	0
	N	36	36	36	36	36	36	36	36	36	36
Environm. Actions	rho	.583**	0.091	0.253	.898**	1.000	.674**	.602**	-0.185	0.673**	0.614**
	p	0.000	0.596	0.136	0.000		0.000	0.000	0.279	0	0
	N	36	36	36	36	36	36	36	36	36	36
Economical Actions	rho	.581**	0.070	.523**	.886**	.674**	1.000	.701**	0.066	0.459**	0.609**
	p	0.000	0.686	0.001	0.000	0.000		0.000	0.703	0.005	0
	N	36	36	36	36	36	36	36	36	36	36
Socio-cultural	rho	. 496**	0.155	0.282	.819**	.602**	.701**	1.000	0.041	0.728**	0.616**

Table 1: Spearman Correlation Coefficient Test for Variables Used (continued)

Actions	p	0.002	0.368	0.096	0.000	0.000	0.000		0.811	0	0
	N	36	36	36	36	36	36	36	36	36	36
Barriers	rho	-0.035	0.106	0.096	-0.068	-0.185	0.066	0.041	1	0.069	-0.055
	p	0.839	0.539	0.578	0.693	0.279	0.703	0.811	.	0.688	0.75
	N	36	36	36	36	36	36	36	36	36	36
Strategic Planning	rho	.518**	0.134	0.181	.675**	.673**	.459**	.728**	0.069	1	0.592**
	p	0.001	0.435	0.291	0.000	0.000	0.005	0.000	0.688	.	0
	N	36	36	36	36	36	36	36	36	36	36
Benefits	rho	.670**	0.193	.506**	.701**	.614**	.609**	.616**	-0.055	0.592**	1
	p	0.000	0.258	0.002	0.000	0.000	0.000	0.000	0.75	0	.
	N	36	36	36	36	36	36	36	36	36	36

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: own work.

Appendix 9: Mann-Whitney Test, post-hoc for type of the business

Table 1: Hotel and Private Accommodation

Variable	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business Influence	29.500	35.500	-0.046	0.963	.966[b]
General Attitude	13.500	19.500	-1.514	0.130	.139[b]
Responsibility	29.000	239.000	-0.093	0.926	.966[b]
Overall Action	14.000	224.000	-1.465	0.143	.166[b]
Environmental actions	16.000	226.000	-1.292	0.196	.230[b]
Ecological actions	18.000	228.000	-1.119	0.263	.309[b]
Socio-cultural actions	23.500	233.500	-0.625	0.532	.573[b]
Barriers	28.000	34.000	-0.183	0.855	.898[b]
Strategic Planning	17.000	227.000	-1.205	0.228	.268[b]
Benefits	16.000	226.000	-1.309	0.191	.230[b]

b. Not corrected for ties.

Source: own work.

Table 2: Restaurant and Bar

Variables	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business Influence	7.000	52.000	-0.475	0.635	.727[b]
General Attitude	3.500	6.500	-1.317	0.188	.218[b]
Responsibility	8.500	53.500	-0.121	0.904	.909[b]
Overall Action	9.000	12.000	0.000	1.000	1.000[b]
Environmental actions	9.000	12.000	0.000	1.000	1.000[b]
Ecological actions	7.500	52.500	-0.372	0.710	.727[b]
Socio-cultural actions	7.000	52.000	-0.496	0.620	.727[b]

(table continues)

Barriers	2.000	47.000	-1.661	0.097	.145[b]
Strategic Planning	9.000	12.000	0.000	1.000	1.000[b]
Benefits	7.000	52.000	-0.499	0.617	.727[b]

b. Not corrected for ties.

Source: own work.

Table 3: Restaurant and Transportation Agency

Variable	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business Influence	3.000	4.000	-0.527	0.598	.800[b]
General Attitude	4.000	5.000	-0.177	0.859	1.000[b]
Responsibility	2.000	3.000	-0.898	0.369	.600[b]
Overall Action	0.000	45.000	-1.591	0.112	.200[b]
Environmental actions	0.000	45.000	-1.596	0.110	.200[b]
Ecological actions	1.500	46.500	-1.081	0.280	.400[b]
Socio-cultural actions	0.000	45.000	-1.622	0.105	.200[b]
Barriers	2.500	3.500	-0.701	0.484	.600[b]
Strategic Planning	4.000	5.000	-0.176	0.861	1.000[b]
Benefits	1.000	46.000	-1.274	0.203	.400[b]

b. Not corrected for ties.

Source: own work.

Appendix 10: Mann-Whitney Test, post-hoc with for classification type

Table 1: 5 and 4-star Classification

Variable	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business Influence	32.000	68.000	-2.455	0.014	.013[b]
General Attitude	72.000	282.000	-0.409	0.683	.709[b]
Responsibility	67.000	103.000	-0.670	0.503	.533[b]
Overall Action	56.000	92.000	-1.225	0.221	.237[b]
Environmental actions	49.500	85.500	-1.562	0.118	.123[b]
Ecological actions	67.000	103.000	-0.686	0.492	.533[b]
Socio-cultural actions	74.500	110.500	-0.290	0.772	.784[b]
Barriers	52.500	262.500	-1.402	0.161	.165[b]
Strategic Planning	57.000	93.000	-1.186	0.236	.258[b]
Benefits	68.500	104.500	-0.592	0.554	.566[b]

b. Not corrected for ties.

Source: own work.

Table 2: 5 and 3-star Classification

Variable	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business Influence	5.500	41.500	-1.361	0.173	.194[b]
General Attitude	8.500	14.500	-0.724	0.469	.497[b]
Responsibility	7.500	43.500	-0.952	0.341	.376[b]
Overall Action	5.000	41.000	-1.442	0.149	.194[b]
Environmental actions	1.500	37.500	-2.173	0.030	.024[b]
Ecological actions	3.000	39.000	-1.885	0.059	.085[b]
Socio-cultural actions	8.500	14.500	-0.783	0.433	.497[b]

(table continues)

Table 2: 5 and 3-star Classification (continued)

Barriers	8.500	14.500	-0.716	0.474	.497[b]
Strategic Planning	10.500	46.500	-0.316	0.752	.776[b]
Benefits	9.500	45.500	-0.524	0.601	.630[b]

b. Not corrected for ties.

Source: own work.

Table 3: 3 Star and No-classification

Variable	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]
Business Influence	6.000	21.000	-0.453	0.651	.786[b]
General Attitude	7.000	13.000	-0.151	0.880	1.000[b]
Responsibility	4.000	19.000	-1.076	0.282	.393[b]
Overall Action	4.500	19.500	-0.900	0.368	.393[b]
Environmental actions	4.000	19.000	-1.050	0.294	.393[b]
Ecological actions	3.000	18.000	-1.383	0.167	.250[b]
Socio-cultural actions	5.000	11.000	-0.794	0.427	.571[b]
Barriers	6.500	12.500	-0.300	0.764	.786[b]
Strategic Planning	6.500	12.500	-0.300	0.764	.786[b]
Benefits	5.500	20.500	-0.615	0.539	.571[b]

b. Not corrected for ties.

Source: own work.

Appendix 11: Semi-structured interview for tourism practitioners and employees of Ministry of Sustainable Development and Tourism

Name(s) of the respondent(s):

Respondent(s) Background (please provide a short background on the person(s) answering the questionnaire and the department):

Question 1: In your opinion, in what direction tourism industry in Montenegro will go in the next ten years, more precisely to 2030?

Question 2: How would you define a strategy for sustainable tourism development in Montenegro by 2030?

Question 3: Please, tell me what do you think are the next steps in order to reach the desired state that you have already defined?

Question 4: What would be the main challenges in strategy implementation?

Appendix 12: Strategic Activity Definition Forms

Activity Definition Form

ACTIVITY NAME

A Investment in transportation infrastructure

OWNER:

DESCRIPTION

All investments occurred in transportation infrastructure, precisely in airports & airlines, ports, roads, railways, cycling, waterways, bridges & tunnels and walkways

RESPONSIBLE TEAM

Ministry of Transport and Maritime Affairs & Ministry of Finance

RISKS, ISSUES & DEPENDENCIES

Unavailable funds/budget for investment in transportation infrastructure
Meeting deadlines

Source: own work.

Activity Definition Form

ACTIVITY NAME

A Investment in natural parks and historic sites

OWNER:

DESCRIPTION

All investments in natural parks and historic sites, i.e. reconstruction of the existing ones or construction of the new on available locations according to the spatial plan.

RESPONSIBLE TEAM

Ministry of Spatial Planning and Environment

RISKS, ISSUES & DEPENDENCIES

Unavailable funds/budget for investment in natural parks and historic sites
Complexity of getting a permission for (re)construction

Source: own work.

Activity Definition Form

ACTIVITY NAME

A | Promote cooperation between actors

OWNER:

DESCRIPTION

Cooperation between all actors involved in tourism industry, i.e. tourism business owners, local habitants, authorities, government, local and national tourism organizations, ministries should be promoted and nurtured across different projects aligned with sustainability strategy for tourism industry.

RESPONSIBLE TEAM

Ministry of Tourism and Sustainable Development

RISKS, ISSUES & DEPENDENCIES

Establish and preserve communication between all actors
Different values of each actor

Source: own work.

Activity Definition Form

ACTIVITY NAME

A | Introduce tourism management standards

OWNER:

DESCRIPTION

Introduction of universal tourism management standards as a benchmark for every business in tourism industry in Montenegro in accordance with sustainability strategy.

RESPONSIBLE TEAM

Ministry of Tourism and Sustainable Development

RISKS, ISSUES & DEPENDENCIES

Monitoring business operations according to the defined standards

Source: own work.

Activity Definition Form

ACTIVITY NAME

| A | Enhance sustainability laws and regulation |

OWNER:

DESCRIPTION

Introduction of additional new obligations coming from sustainability laws and regulation that would decrease discrepancy between the obligations and their implementation and lead to easier monitoring towards the sustainability strategy.

RESPONSIBLE TEAM

Government & Ministry of Sustainable Development and Tourism

RISKS, ISSUES & DEPENDENCIES

Inadequate assessments and lack of funds for the implementation
Monitoring and progress assessment system development
Introduce the penalty system for ones that do not obey the law and regulation

Source: own work.

Activity Definition Form

ACTIVITY NAME

| A | Communicate new country image and brand |

OWNER:

DESCRIPTION

Clear communication of the country image as one of the top touristic destination while preserving its wild nature image and high-end tourism. The country's brand "Wild Beauty" communicate through various channels and campaigns depicting the added value for tourism.

RESPONSIBLE TEAM

Ministry of Sustainable Development and Tourism

RISKS, ISSUES & DEPENDENCIES

Unavailable funds/budget for marketing campaigns
Define clear strategy for the image & brand communication

Source: own work.

Activity Definition Form

ACTIVITY NAME

| A | Stimulation of efficient resource & waste management |

OWNER:

DESCRIPTION

Introduction of stimulation as the incentive schemes for using the resources efficiently and implementing waste management in a way of sorting, recycling and reusing.

RESPONSIBLE TEAM

Ministry of Tourism and Sustainable Development & Ministry of Economics

RISKS, ISSUES & DEPENDENCIES

Define appropriate incentive schemes
Measure and evaluate the implementation of efficient resources &waste management

Source: own work.

Activity Definition Form

ACTIVITY NAME

| A | Introduce the practitioner trainings |

OWNER:

DESCRIPTION

Introduction of trainings to tourism practitioners, from employees in Ministry of Tourism & Sustainable Development and similar public institutions to tour operator in order to support implementation of the sustainability strategy for tourism industry.

RESPONSIBLE TEAM

Ministry of Tourism and Sustainable Development

RISKS, ISSUES & DEPENDENCIES

Stimulate employees for trainings
Execution of the trainings
Available and interested personnel to actively participate in trainings

Source: own work.