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Research Paper

A stakeholder perspective on policy indicators of destination competitiveness

Anita Zehrer^{a,*}, Kirstin Hallmann^{b,1}^a MCI Management Center Innsbruck, MCI Tourism, Weiberburggasse 8, 6020 Innsbruck, Austria^b German Sport University, Institute of Sport Economics and Sport Management, Am Sportpark Müngersdorf 6, 50933 Köln, Germany

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ABSTRACT

The competitiveness of a tourism destination relates to various factors as constitutive elements of destination competitiveness, such as resources, destination management, demand and situational conditions. While models of destination competitiveness have hardly focused on the role of businesses, several authors on entrepreneurship have already emphasized the importance of the cooperative capabilities of different stakeholders in a tourism destination to improve competitiveness. They have dealt with the development and operation of a destination. Drawing from stakeholder theory, this paper elaborates on the management and policy factors influencing the competitiveness of a destination by proposing a stakeholder perspective. Policy factors related to vision, development, monitoring, interdependencies and market ties are identified. The results suggest that some of those variables (e.g. vision, monitoring) have a significantly positive influence on perceived destination competitiveness. Thus, the purpose of this research is to provide empirical evidence of competitiveness in destinations by putting policy and planning factors at the focus of attention.

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1. Introduction

A tourist product consists of a holistic bundle of services along a service chain providing core or primary (main) and additional or auxiliary (peripheral) services to the customer (Grönroos, 2007; Kandampully, 2002). Tourism actors in destinations may choose between certain strategies and forms of organization. While some destinations (e.g. North America or France) have realized persistent value chains by the creation of destination resorts and consolidates, community destinations (e.g. Austria, Switzerland) try to remain competitive by building networks or entering a co-operation. Hence, two extremes of destination organizational structures are identified: the community model and the corporate model (Flagestad & Hope, 2001).

Due to political, structural and cultural reasons in the *community model*, the actors are concerned with promoting co-operation and the widest possible harmonization of objectives within a destination. The destination management organization is perceived as focusing mainly on marketing and policy, in which planning and decisions are based on stakeholder collaboration and numerous compromises

(Bieger, 2005). Businesses are independent units operated by entrepreneurs of which no unit has any dominant administrative power within the destination (Eurostat, 2002). As Pechlaner, Raich, Zehrer, and Peters (2004) observe, the tourism industry is characterized by below-average company size, low growth rates, weak internationalization, relatively low market-entry barriers, and relatively poor qualification levels: all of which have significant implications for the management and competitiveness of the small businesses that dominate the tourism industry. Hence, in many countries tourism is dominated by small and medium-sized businesses (Buhalis & Cooper, 1998; Getz & Carlsen, 2000; Morrison, Rimmington, & Williams, 1999; Smallbone, North, & Vickers, 1999; Thomas, Friel, & Jameson, 1999). Strategic leadership and entrepreneurship in destinations is thus anchored in stakeholder-oriented management, and cooperation activities are crucial for the development and competitiveness of community-type destinations (Beritelli, 2011).

As tourism has become more destination oriented (Poon, 1993), the relevance of *destination competitiveness* has become more important (Pechlaner & Tschurtschenthaler, 2003). Tsai, Song, and Wong (2009) also state that the competitiveness of a destination is increasingly depending on private tourism businesses and their operating environment at the destination. As a result, destinations need to be managed thoughtfully (Fuchs & Weiermair, 2004; Ritchie & Crouch, 2003), and they need to make use of entrepreneurial opportunities (Fueglistaller, Volery, & Weber, 2010) as both a single entity and as a destination as a

* Corresponding author. Tel.: +43 512 2070 3332; fax: +43 512 2070 3399.

E-mail addresses: anita.zehrer@mci.edu (A. Zehrer), k.hallmann@dshs-koeln.de (K. Hallmann).¹ Tel.: +49 221 4982 6097; fax: +49 221 4982 8144.

whole, to remain competitive. Additionally, the policy framework for the destination needs to be set up in a way that benefits undertaking entrepreneurial opportunities (Marzano, Laws, & Scott, 2009), because small businesses in tourism contribute to regional competitiveness, regeneration and sustainability (Haber & Reichel, 2005; Mottiar & Tucker, 2007; Peña, Jamilena, & Molina, 2011). These businesses rely on collaborative entrepreneurship within the whole destination (Thomas, 2004).

While the focus of studies on destination competitiveness has been mostly on the supply side of the destination (Crouch, 2011; Enright & Newton, 2004; Hudson, Ritchie, & Timur, 2004), studies typically focused on public entities, with and only few studying differences in *stakeholder's perspectives*. The purpose of this paper is therefore to find out what drivers of competitiveness are identified by private small business entrepreneurs (hotel, restaurant, destination marketing organizations (DMOs), transportation, retail, and sport activity suppliers) and if the various entrepreneurs perceive competitiveness differently. The reason for focusing on private entrepreneurs lies in the growing acknowledgement and importance of private companies in the destination structure, since the competitiveness of a destination is dependent on their ability to add value to the available resources (Ritchie & Crouch, 2003). This paper suggests that competitiveness is determined by various influencing factors, such as, first and foremost, destination policy issues. Hence, our purpose is not to build a holistic model, but rather to test a partial model of competitiveness to see which policy and planning factors have an influence on competitiveness as perceived by the stakeholder groups. The objective of the present study is, therefore, to study the different perceptions of stakeholders on the competitiveness of a destination. The research questions are: (a) which policy and planning factors influence destination competitiveness in community-type destinations? and (b) to what extent do stakeholder groups differ in their perception of destination competitiveness?

To sum up marize, the reason for undertaking this research is that within competitiveness models it has hardly been empirically tested if policy and planning factors influence competitiveness. In addition, a research gap relating to stakeholders and their perception of destination competitiveness has been detected. Our findings are of value for destinations, since in community-type destinations, various private entrepreneurs have the responsibility to develop the destination and thus have an impact on the competitiveness of the destination. The paper contributes to literature by operationalizing and measuring selected indicators of destination competitiveness.

2. Literature review

2.1. Stakeholder research in destinations

Definitions of the term, stakeholder 'range from narrow views, where stakeholders are seen as actors of organizations (Cochran, 1994; Pfeffer & Salancik, 1978; Zammuto, 1984), to broad views that include virtually any actor (Shankman, 1999). Freeman (1984, p. vi) broadly defines a stakeholder as 'any group or individual who can affect, or is affected by, the achievement of a corporation's purpose.' Furthermore, there has been work that differentiates stakeholders into strategic and moral stakeholders (Goodpaster, 1991), and primary and secondary stakeholders (Clarkson, 1995). This research acknowledges the importance of considering stakeholders in the broadest sense, as suggested by Freeman (1984), when applied in a destination setting.

Stakeholder theory suggests that a corporation addressing its stakeholders' interests will perform better than firms that do not address these groups' interests (Agle, Mitchell, & Sonnenfeld, 1999; Post, Preston, & Sachs, 2002). In tourism, this theory can be applied to a

destination, where many authors have identified different stakeholders (e.g. Sheehan & Ritchie, 2005). Sautter and Leisen (1999) claim that a proactive consideration of all stakeholders' interests results in significant returns of tourism as a whole in the long term (Formica & Kothari, 2008; Wang & Xiang, 2007).

In community-type destinations, the role of private tourism businesses has been neglected in research on destination competitiveness (Komppula, 2014). However it has been increasingly discussed in tourism entrepreneurship, since tourism entrepreneurs can make a crucial impact on a destination (Mottiar & Tucker, 2007; Thomas, 2004). Destination stakeholders include both private and public actors: private entrepreneurs operating hotels, restaurants, the DMO, retailers, transportation companies and other also public stakeholders such as attractions, government and/or universities (Ritchie & Crouch, 2003). For Alpine skiing destinations, additionally sport activity suppliers must be regarded as an important stakeholder group, since winter sports in general and Alpine skiing in particular are among the main travel motives of winter tourists in the Alps (e.g., Dolnicar & Leisch, 2003; Matzler & Siller, 2003; Williams & Fidgeon, 2000). This study focuses solely on private tourism stakeholders.

2.2. Destination competitiveness

Competitiveness in general stands for the degree of superiority that has been achieved in a certain domain and is a multidimensional construct as the level of competition can vary (Crouch & Ritchie, 1999; Ritchie & Crouch, 2003). Destination competitiveness is a complex term and also lacks a generally accepted definition in tourism (Crouch & Ritchie, 1999). Nevertheless, the definition given by the Organization for Economic Cooperation and Development (OECD) appears to be comprehensive: 'Tourism competitiveness for a destination is about the ability of the place to optimize its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way' (OECD, 2014, p. 7). Competitiveness factors of the OECD are organized around four categories, of which one is describing policy responses and economic opportunities.

Destination competitiveness has been researched extensively in previous studies (e.g. Crouch, 2011; Dwyer & Kim, 2003; Enright & Newton, 2004) and models of destination competitiveness have been created. Porter's diamond of national competitiveness (Porter, 1990) was among the first models and became the framework for the design of subsequent models. The model is based on the results of empirical research on competitiveness in various sectors and thus is applicable in tourism. It emphasizes the allocation of resources and the nature of the environment in which the entity operates. A certain disadvantage can be seen, since Porter focuses on clusters or industries as the unit of analysis, but at the end of these industries there are the single actors that promote the country's competitiveness. Poon's (1993) competitiveness concept has two dimensions: the macro-(or meso-) and the micro-level. It deals with competitive strategies for producers and tourism destinations by focusing on an area of sustainable tourism ('put the environment first'), strategic development ('make tourism a lead sector'), strengthening distribution channels ('strengthen distribution channels in the marketplace') and the development of dynamic private sector partnerships ('build a dynamic private sector'). Poon's (1993) approach thus reflects current market environment changes and driving forces of economic development with an emphasis on quality, innovation and cooperation. The model by Ritchie and Crouch (2003) is based on Porter's diamond model, but is adapted to the tourism industry.

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