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Research Paper

EVALUATING TOURISM STRATEGY OF COUNTRY COMPETITIVENESS

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ABSTRACT

With the rapid growth tourism industry experienced since 1990, the tourism supply chain management (TSCM) has emerged as a new field of theoretical and practical importance. As destinations determine the success of the industry, there is increasing competition among countries, making tourism strategy a key element in TSCM. Addressing a void in TSCM studies, the manufacturing strategy index (MSI) analytical models were used in this research to evaluate the tourism strategy of country competitiveness, from three distinct strategy options, namely, prospector, analyst and defender. Given that there is a noticeable difference between developed and developing countries in the global competitive rankings of tourism destinations, the study was carried out in Singapore and Sri Lanka for better comparison purpose. A survey instrument with stratified purposive sampling was used to collect data from a total of 120 senior level respondents, 60 in each country to determine their prioritizing between four competitive attributes, quality (Q), cost (C), time/delivery (T) & flexibility (F). The multi-attribute competitiveness priorities were used in the MSI analytical models which indicated a prospector strategy for Singapore and a defender strategy for Sri Lanka. These results matched and explained the competitive realities of the two destinations, thereby extending the applicability of MSI analytical models (which were originally developed for manufacturing sector) to evaluate the tourism strategy of a country for competitiveness.

KEY WORDS: MSI analytical models, Singapore, Sri Lanka, Tourism strategy, TSCM, Country competitiveness.

1. INTRODUCTION

Tourism is a worldwide phenomenon significantly affecting both global and national economies, irrespective of economic climate; during economic good times, global tourism is benefitted with international tourists (Lee & Chang, 2008), while during recessions, the local tourism is a key for restoring country economies. Thus, tourism is a viable export-oriented economic growth strategy for both developed and developing nations and is one of the top three industries for almost every country in the world (Goeldner & Ritchie, 2012). In tourism, a country destination is the crucial factor which holds the main tourism activities (Cooper *et al.*, 1998) and it positively affects the economic development through many areas (Liu & Chou, 2016), making country competitiveness a key factor for the success of tourism industry.

The complicated network system of tourism supply chain demands industry leaders and managers to pay careful attention to tourism strategy from supply chain perspectives of management in order to increase industry

performance (Véronneau & Roy, 2009; Zhang *et al.*, 2009), making tourism supply chain management (TSCM) a vital component for competitive advantage (Christopher, 2005; Cao & Zhang, 2011). Thus, the real challenge for country tourism authorities is not only deciding the right tourism strategy but also ensuring the entire tourism supply chain is following it for competitiveness.

Due to the limited research done in this area of TSCM (Zhang *et al.*, 2009; Song *et al.*, 2013;), a little is known about how a country can develop and evaluate tourism strategies to achieve industry objectives and country competitiveness.

Addressing this research gap, the paper aims to answer the research question: *how to evaluate the tourism strategy of country competitiveness?*

2. RESEARCH OBJECTIVES

The following are the objectives of this research study;

- to propose a method to assess the operative tourism strategy of a country.



- to explain how the tourism strategy is affecting the country competitiveness.

The study will reach above objectives by concentrating on Singapore and Sri Lanka, two tourism destinations with contrast economic characteristics; the former is a developed nation occupying 11th position in the 2015 world travel and tourism competitive index rankings, while the latter is a developing country having more natural and cultural resources in comparison to Singapore, but lagging behind in 63rd position in the 2015 global rankings (Crotti & Misrahi, 2015).

3. THEORETICAL BACKGROUND

3.1 Tourism supply chain management (TSCM)

In general a supply chain includes all parties that work together directly or indirectly to ensure customer demand level satisfaction (Chopra & Meindl, 2013). Based on unique characteristics and complicated chain links of tourism, Zhang *et al.* (2009) defined a tourism supply chain (TSC) ‘as a network of tourism organizations engaged in different activities ranging from the supply of different components of tourism products/services such as flights and accommodation to the distribution and marketing of the final tourism product at a specific tourism destination, and involves a wide range of participants in both the private and public sectors’ (p.347).

The supply chain management (SCM) combines a number of business functions such as logistics, purchasing, operations and distribution (Johnsen *et al.*, 2014). In tourism, SCM involves integrating different sectors, firms and stakeholders of the TSC, which includes tourism enterprises like hotels, restaurants, tour operators/agents and transporters, supporting industries in entertainment, sports and shopping as well as both public and private sector destination management organizations (Fernando & Long, 2012). Thus tourism supply chain management (TSCM) is a system with the ability to efficiently integrate all above sectors and functions to satisfy the tourist needs by meeting their service level requirements at reduced costs, leading to higher profits through increased market share.

3.2 Tourism strategy of country competitiveness

Being neither pure manufacturing nor service industry (Zhang & Murphy, 2009), tourism possesses certain unique characteristics as a complex combination of services and goods (Calantone & Mazanec, 1991), which calls for thorough insights for successful management of activities in a TSC. The design of the TSC largely affects TSCM which leads to industry competitiveness and performance. The TSC design is the planning stage in TSCM, which covers the development of tourism strategy for competitive advantage. However, given the environmental dynamism, an initial strategy may need adjustments and changes overtime to respond to customer needs and market changes (Gonçalves-Coelho and Mourão 2007); this will be even more applicable for tourism industry, given the complexity of TSC relationships.

Facing increasing competition from other tourism destinations, countries are driven to develop effective tourism strategies to outperform the competitor countries. According to Porter (1985), a competitive strategy is related to how a firm or an industry can develop its competitive advantages through a set of actions planned with a long term view. So, a tourism strategy of country competitiveness can be viewed as a set of actions linked to TSC and implemented through

TSCM, which will give a destination country the competitive advantage over its rivals based on its natural and created resources.

According to Miles and Snow (1978), for competitive advantage, a firm or an industry can use one of the three stable strategic approaches, namely prospector, defender or analyser; the prospector strategy is characterized by active innovations through searching and exploiting new market and product opportunities and also creating change and new directions for competitors to respond; the defender strategy is more concerned in defending an existing market through stability, with expert concentration on a narrow segment of the potential market, where authorities and management do not tend to explore opportunities outside this domain; the analyser strategy competes by following two domains, one relatively stable and the other turbulent, where they follow a formal processes efficiently in stable areas while they analyze, imitate and follow the success of others in the changing domain.

3.3 MSI analytical models for evaluating competitive strategy

According to Gerwin (1993), for competitive advantage, firms in any industry must have high performances simultaneously in four key attributes, namely, quality(Q), cost(C), time/delivery(T) and flexibility(F). Based on priority weights assigned to these multi attributes Q, C, T and F, Takala *et al.*(2007) introduced unique analytical models to evaluate the operative manufacturing strategy in terms of prospector, analyser and defender competitive strategy groups.

The equations (1) to (4) below were used to calculate the normalised weights of core factors that are needed in the analytical models;

$$Q' = \frac{Q}{Q+C+T} \tag{1}$$

$$C' = \frac{C}{Q+C+T} \tag{2}$$

$$T' = \frac{T}{Q+C+T} \tag{3}$$

$$F' = \frac{F}{Q+C+T+F} \tag{4}$$

The above normalised weights were used in the following MSI analytical models to calculate the manufacturing strategy indices of competitiveness for each group.

The MSI model for prospector group:

$$MSI_p = 1 - (1 - Q'^{1/3}) \cdot (1 - 0.9 \cdot T') \cdot (1 - 0.9 \cdot C') \cdot F'^{1/3}$$

The MSI model for analyser group:

$$MSI_a = 1 - (1 - F') \cdot \left(\text{abs} \left(\frac{(0.95 \cdot Q' - 0.285) \cdot (0.95 \cdot T' - 0.285)}{(0.95 \cdot C' - 0.285)} \right) \right)^{1/3}$$

The MSI model for defender group:

$$MSI_d = 1 - (1 - C'^{1/3}) \cdot (1 - 0.9 \cdot T') \cdot (1 - 0.9 \cdot Q') \cdot F'^{1/3}$$

Such analytical models have been used in several research works of competitive strategy evaluation and related studies (Liu *et al.*, 2008; Si *et al.*, 2009; Liu *et al.*, 2009; Liu & Takala, 2009, 2010; Liu, 2013) and according to Liu (2016), these models can be applied to evaluate the tourism strategy of country competitiveness as well, considering tourism product as a complex mix of goods and services.



4. RESEARCH METHODOLOGY

This study was quantitative, since it involved testing of the developed MSI analytical models discussed above, which is based on multi-attribute competitiveness priorities for evaluating the tourism strategy of a country.

4.1 Research Context

The research survey was carried out in Singapore and Sri Lanka, two countries relying on tourism, but with contrast economies and industry performances. In 2014, Singapore received approximately 13 million tourists, which accounted for 1.18% of the global market, while Sri Lanka, comparatively a much bigger country than Singapore had only 1.5 million tourist arrivals; the average per night expenditure of a tourist in Singapore was 2.35 times the average expenditure of a tourist in Sri Lanka (Data Atlas, 2011-2015).

4.2 Data collection tools, measures and methods

Data collection was carried out through directors and senior managers of different organizations representing various links of the TSC in Singapore and Sri Lanka and their answers to the structured questionnaire helped to identify the priority weights of their organizations on multi-attributes considered - Q, C, T & F.

The structured questionnaire with analytical hierarchy process (AHP) method which was developed and used in previous operational competitiveness studies (Liu, 2013), was also used for this study, but with some modifications to suit the tourism industry, based on the inputs of two tourism industry experts.

The population included all organizations representing different links of the TSC's in Singapore and Sri Lanka, but necessarily with a registered business entity which has been in operation for at least the last 3 years. The population was divided into three strata to represent the main links of TSC, namely, (1) tier 1 suppliers who come in direct contact with the tourists and include hotels, restaurants,

airlines, water/inland transporters, (2) tier 2 suppliers who are input material and service providers including freight transporters that support the service operations of the first tier and (3) intermediary tour operators & travel agencies. From each of the above strata, 10 organizations were selected and each organization was represented by 2 senior level respondents, making the sample size 120 from both countries. Purposive sampling method was used to select organizations and respondents, ensuring they are key organizational decision makers with sound knowledge on tourism industry priorities. The respondents were carefully explained every item of the questionnaire through email and/or skype calls before they took part in the survey.

5. DATA ANALYSIS, RESULTS AND FINDINGS

The analysis of the collected data was carried out in three steps. As the first step, using expert choice (EC) software, the unprocessed raw data of questionnaire answers were processed, which converted qualitative attributes to represent quantitative values of Q, C, T & F; the EC software also calculated the inconsistency ratios to ensure they are within the allowable range to maintain the internal validity of the data. These values were compared with open question answers on priority weights of Q, C, T & F for added internal validity and final priority values of Q, C, T & F were determined for each respondent.

Since all 120 respondents in both countries represented equally important TSC partner organizations and also held similar organizational positions, in step two, equal weightage was assigned to each respondent and the mean values of Q, C, T & F were calculated, which were used as the priority weights of the four key attributes under each data set.

Finally, the three MSI analytical model equations were used to calculate MSI values for prospector (P), analyser (A) and defender (D) groups for each tourism destination and the results are presented in Table 1.

Table 1 : MSI values for P, A, D groups based on multi attribute priority weights

Country	Q	C	T	F	MSI _P	MSI _A	MSI _D
Singapore	0.449	0.106	0.321	0.124	0.941	0.887	0.909
Sri Lanka	0.161	0.441	0.145	0.253	0.902	0.902	0.932

The highest MSI value represents each country's tourism strategy direction and in order to clearly understand this competitive strategic orientation, the MSI values calculated in P, A, D groups were modeled in a strategy triangle

along with triangles supported by the theory of responsiveness-agility-leanness (RAL) holistic model (Takala, 2002) as shown in Figure 2.

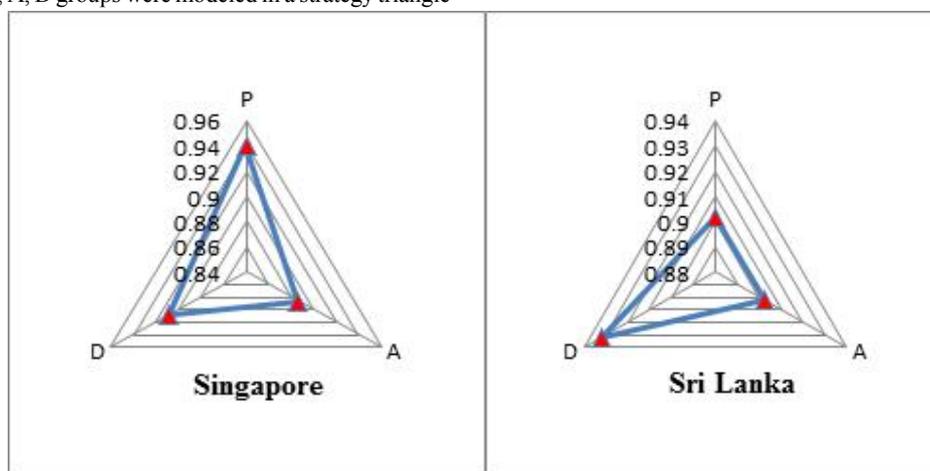


Figure 2 : MSI Strategy Triangles for Tourism in Singapore and Sri Lanka

The MSI strategy triangles above depicts how the respondents' prioritizing between the four competitive attributes Q, C, T and F can reflect the tourism strategy of a country, with the sharpest edge of the triangle revealing the kind of competitive strategy group the particular country's tourism industry is aiming for. Accordingly, the tourism industry in Singapore is adopting a prospector strategy, while Sri Lanka relies on a defender strategy, which explains the higher global tourism destination competitive position of Singapore in comparison to Sri Lanka.

The gigantic growth of Singapore tourism in the past two decades were facilitated by creativity and large development projects like integrated resorts, theme parks as well as hosting of major international events and this trend is to continue even in the next phase of tourism growth which is centered around 'quality tourism' and innovations (Singapore Tourist Board, 2013). Thus, Singapore's tourism strategy is built around continuous development, monitoring of wider environmental conditions, trends, and events, creating innovations and change in the industry and grow mostly through new markets and products, which all, according to Miles & Snow (1978) are the basic strategy set of the prospector group, thereby justifying Singapore's operative prospector strategy as evaluated through MSI analytical models in the study.

The tourism in Sri Lanka is mainly operated in a traditional way by industry players who work in isolation with the strategic intention of protecting their market shares; they have limited concern on TSCM and competitive advantage the combined firm capabilities can bring, thereby losing synergy and resulting in moderate customer satisfaction levels (Suwandaarachchi & Nanayakkara, 2012). Such approach is characterized by prominence within the chosen market segments and less attention to developments outside that domain, penetrating more and more into existing markets with cautious and incremental growth - all representing the basic strategy set of the defender group (Miles & Snow, 1978), which is Sri Lanka's operative tourism strategy according to the study findings.

6. DISCUSSION AND CONCLUSION

This study was conducted to find an answer to the research question: *how to evaluate the tourism strategy of country competitiveness?* The study used MSI analytical models developed for manufacturing sector and evaluated the tourism strategies of Singapore and Sri Lanka, which accurately represented and clearly explained the competitive realities of the two tourism destinations, thereby extending the applicability of the MSI analytical models to the totally different and unique tourism sector.

Therefore the research contributes to existing theory in TSCM by proposing how to use MSI analytical models to evaluate the operative tourism strategy of a country. So far no empirically tested managerial tool is available for this purpose and hence this study fills this research gap in TSCM studies.

From a practical point of view, the MSI analytical models can be used by individual partners in the TSC from time to time to check their operative organizational strategies to ensure that they are aligned to the country's tourism strategy. This will largely contribute to ensure effective TSCM through strategy alignments for achieving the overall tourism industry objective of country competitiveness.

Finally, as discussed, the MSI analytical model with P, A & D groups is able to explain how the operative tourism strategy is affecting the country competitiveness, which can guide tourism industry decision makers to identify the fundamental lines of action to achieve greater competitiveness in tourism. This can be of significant importance and value, especially for countries with emerging economies, who are falling behind in tourism destination competitive rankings.

7. LIMITATIONS AND FUTURE RESEARCH

The research sample represented only two country destinations and this, as well as sampling method and size may not fully support generalizability of the findings. On the other hand, the multi attributes Q, C, T & F of the MSI analytical models which have important impact on the outcome of the competitive strategy evaluation, were not sufficiently defined to suit tourism industry in the global context. Also the study was conducted with data collected from strategic and senior level respondents identified through purposive sampling and thus may lack the operational level view of the real operative tourism strategy in practice.

The future research can be conducted using MSI analytical models by calibrating Q, C, T and F to represent the global tourism by sufficiently addressing the contexts of different regions and countries. In addition, this study can be extended with large and more representative samples to cover a wider cross section of respondents representing the operational levels of the tourism industry, which could increase the applicability of the findings outside the considered situation. Further, it will be interesting to see how the MSI analytical models can evaluate the tourism strategies to explain the country competitive positions of other developed and developing nations, which can verify the applicability of the MSI analytical models to a greater degree. Finally, the introduction of tourism strategy evaluation models can open up many future research paths related to TSC design and TSCM in country competitiveness studies.

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