

**AN INVESTIGATION OF CURRENT SYSTEM OF DESTINATION  
MANAGEMENT ORGANISATIONS- A CASE OF CHINA**

By

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## Abstract

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### AN INVESTIGATION OF THE CURRENT SYSTEM OF DESTINATION MANAGEMENT ORGANISATIONS- THE CASE OF CHINA

Xiao Ran Tian

This research investigates Destination Management Organisation (DMOs) in China, and looks at their functions and their adoption of Performance Measurement Systems (PMSs). A two-stage questionnaire survey has adopted to achieve the pre-determined aims of the research. Finally, ninety-three DMOs took part in the first stage survey and thirty-four DMOs were involved in the second stage survey.

The key findings from the research are as follows. (1) Irrespective of their nature and level, Chinese DMOs attached most importance to the functions of “economic-driver”, “marketing” and “coordination & collaboration”. (2) DMOs attached a second level of importance to the functions of “operator”, “administrator”, “statistics” and “training”; however, particularly at municipality and city levels; also Chinese public DMOs paid more attention to these aspects. (3) Chinese public DMOs, particularly at provincial and city level, placed more emphasis on the functions of “regulator” and “legitimacy”. (4) Chinese higher-level public DMOs paid less attention to the function of “public awareness”, “funding” and “international relations”, however they did performed much better than non-public lower-level DMOs to these tasks. (5) Chinese governmental DMOs at higher-level, and private DMOs, were the best at adopting PMSs in their organisations. (6) The PMSs of Chinese DMOs paid greatest attention to measuring the aspects of “visitor”, “earning” and “marketing”, and medium levels of attention to the aspects of “stakeholder”, “operation” and “event”, and relatively low attention to evaluating their performance of the aspects of “employment” and “innovation” in their organisations.

Finally, a refined PMS model that could be adopted by Chinese DMOs in the future was developed at the end. Based on the above findings, the refined model aimed to measure the performance of “stakeholders”, “employees” and “customers” by assessing the outcomes of the aspects of “management” and “marketing” for Chinese DMOs. The refined PMS model was developed and based on the top-down operation system that currently existed in China and was supposed to pursue every major aspect of the system for each stakeholder in the DMOs.

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## AUTHOR'S DECLARATION

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Graduate Committee.

This research is an individual contribution of the candidate submitted for this research degree at the Plymouth University has not formed part of any other degree either at Plymouth University or at another establishment.

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## **Chapter1 Introduction**

### **1.1 Introduction**

This introductory chapter aims to provide an outline of the research undertaken for this thesis. The chapter discusses the reasons for the research, and how it may help to develop an understanding about the importance and necessity of Performance Measurement Systems (PMSs) that are adopted by Destination Management Organisations (DMOs) in China. The reasons why Chinese DMOs have been chosen for study in this research are also discussed. The significance of this thesis is then put forward. After explaining the aims and objectives of the research, a summary of the research methodology employed is given. Finally, the structure of the thesis is outlined, providing a brief introduction to all the other chapters.

### **1.2 The need to study destinations and DMOs**

The tourism industry has been widely considered as a key industry to stimulate economic growth and provide employment opportunities (Ekanayake and Long, 2012). As Fabricius, Carter and Standford (2007:41) note, "With tourism being increasingly recognized as a key economic opportunity around the world, competition among countries and regions for a share of global tourism expenditure is increasing by the day". Due to the fact that the majority of tourism activities take place in a certain tourist destination (Leiper, 1979) then 'destination' has become the hottest concern in the industry (Cooper, Fletcher, Fyall, Gilbert and Wanhill, 2008). In recent years, tourism destinations have begun to play an extremely important role in tourism studies (Leiper, 1995; Pechlaner, 2000; Martini, 2001). Many studies (Fyall, 2010; Ritchie and Crouch, 2003; Jamal and Jamrozy, 2006) have tried to create a definition on the concept of destinations. However it has proved

difficult to settle on something that captures the inherent complexity and variety of 'destination'.

First, difficulty arises in relation to the size of the destination. This has given rise to ambiguity regarding the term destination, which in some cases could be a resort or, in much broader terms, might refer to a district, a region, a country or even a continent (Sainaghi, 2006). Indeed, Cooper et al (2008) go further, and state that destinations can be categorized in geographical terms such as in urban, rural and coastal environments. It can also be a collection of countries, a distinct state, country or province, or in fact represented by a local city, town or resort, national park, area of outstanding natural beauty or coastline (Cooper et al., 2008). Thus, the difficulty of defining the boundary of a destination provides an initial problem for those who wish to study that destination.

Furthermore, a tourism destination is considered an open system that as a whole determines an offer capable of attracting tourists (Rodriguez-Diaz and Espino-Rodriguez, 2008). Pavlovich (2003: 203) establishes that "the tourism destination generally comprises different types of complementary and competing organisations, multiple sectors, infrastructures and an array of public/private linkages that create a diverse and highly fragmented supply structure". Indeed, the complexity of the destination product is expressed in the fact that all destinations, to varying degrees, are comprised of multiple stakeholders, multiple components and multiple suppliers, and convey multiple meanings to multiple markets and market segments (Cooper et al., 2008). Moreover, Selin and Chavez (1995) see the dynamic and complex nature of tourism partnerships as a process in which organisations interrelate with social, economic, and political powers. Jamal and Getz (1995:189) establish that when tourism destinations are "faced with complex problems

that are beyond the capabilities of any one organisation to solve single-handedly, the strategic management process needs to incorporate the perspective of inter-organisational domains". Authors such as McKercher (1999) and Farrell and Twining-Ward (2004) also define tourism destinations as complex, adaptive systems in which numerous interrelations are generated in the environmental, human, natural, and economic areas. In addition, Cooper et al (2008) suggest that another barrier in defining destinations is due to the 'inconvenient' nature of boundaries both administrative and political. Ritchie and Crouch (2003:175) argue that a DMO may be either a "public sector agency or a private sector-driven organisation". Indeed, the public-private partnership (PPP) becomes a very favourable model in many places for the management and marketing of a destination. Presenza (2005) draws the conclusion that destination growth is influenced by different levels of complexity.

Due to the somewhat ineffective organisation of the tourism industry in the 20th century, it has become increasingly important to develop a systematic approach to promoting the industry's development into the 21<sup>st</sup> century. Given this, the tourism destination has become the focus for efforts to more effectively plan and manage tourism (Waligo, Clarke and Hawkins, 2012). As mentioned above, vague geographical and administrative boundaries make the issue of destination governance a thorny one indeed. The broad consensus is therefore that destination is considered complex and difficult to manage (Fyall, 2010). Furthermore, the difficulty of managing a tourism destination also relates to the specific or unique feature of the tourism product. For example, Mathieson and Wall (1982) identify the nature of tourism products in relation to their inseparability, heterogeneity, perishability, uniqueness, involvement of the consumer in the production, and its composite cost structure. Moreover, the tourism environment is becoming increasingly

competitive, dynamic and impacted by various global issues. Although change is ubiquitous and not unique to the tourism industry, the pressure for destinations to respond positively to change is growing daily. Thus, as Harrill (2009:448) recently comments, “progress is slow in showing how the various and highly varied characteristics and issues facing tourism destinations can be integrated for effective destination management, rather than the piecemeal approach that appears to be the status quo”. In that context, the strategic management of tourism destinations is taking on ever-greater importance in the real world.

Nowadays, academic attention has been focused on the challenges of strategic management (Bieger and Weibel, 1988; Middleton, 1994; Weaver, 2000; Flagestad and Hope, 2001). A DMO is an entity that manages all activities that aim to promote a destination’s prosperity. These have been the subject of close scholarly attention due to their importance and active role in the development of the global tourism industry. Some key representative contributions are, for example, Pike (2004, 2011), Ritchie and Crouch (2003), Vanhove (2005) and Cooper et al (2008). Despite the importance and significance of DMOs across the world, it is therefore surprising that no real ‘blueprint’ exists (Cooper et al 2008). There is not one overall accepted standard to represent exactly what a DMO is; this is due to the fact that destinations can be defined in various shapes and sizes (Pike, 2004). In addition, due to the nature of the complexity of a ‘destination’, it can explain why DMOs lack an accepted and exact standard. This also has implications for the study of different DMOs, as each individual DMO carries out different works, and presents a different performance from other DMOs (Tian, Huang and Busby, 2011).



### **1.3 The need to study Performance Measurement Systems (PMSs) adopted by DMOs**

Over the years there have been a large number of additions to the literature regarding destination planning, marketing and management; for example, Heath and Wall (1992), Poetschke (1995), Scott, Parfitt and Laws (2000), Buhalis (2000), King (2002) and Fyall, Garrod and Tosun (2006). One key question, the question of the efficiency of DMOs in terms of planning, marketing and management, has been raised by many scholars (Campos, 2012; Soteriades, 2012; Bottil, Gonvalvesl and Ratsimbanieranal, 2012). Pike (2004) asks whether DMOs generate an appropriate return for the large sums of money spent on promotion. Without direct control over tourism businesses, there is no direct return of profit from the marketing spend, which in turn can be reinvested in future marketing. As discussed above, Presenza (2005) suggests that destination complexity is related to many aspects, such as the large number of players, the influences between different sectors, the stakeholder relationship dynamics and the interactions between different levels of governance. Although many issues may determine the complexity of a destination, it remains to be seen to what extent these issues influence the effectiveness of DMOs' management. In other words, is there a need to measure DMOs' performance through more holistic means? It can be a very tricky task to measure and define the effectiveness of an investment. More importantly, there are few studies that focus on this route of inquiry (Sheehan and Ritchie, 1997). Indeed, Tian et al (2011) highlight that the perennial problem of destination management is that of how to measure the extent to which the contribution of the DMO's efforts add to the overall success of the destination.

One significant factor relates to the paucity of performance evaluation indicators used by DMOs worldwide. For example, Carson et al (2003)

conducted a survey of DMOs in Australia and found a lack of a systematic approach to measuring their performance; similar results are also suggested by Pizam (1990), who studied the US context. More recently, Woodside and Sakai's (2003) review of seven DMOs performance audits, found no substantive commentary in the intelligence gathering behaviour undertaken by DMOs, and that there is a marked propensity for these audits to focus on minor issues and to ignore the assessment of the impact of major expenditures. Woodside and Sakai (2009) also mention that although the substantial value in using sense-making and judgment tools is well-known in the organisation behaviour studies, meta-evaluation reviews of performance audits of DMOs do not include evidence that DMO executives or auditors have knowledge about these tools or their value (Woodside and Sakai 2001, 2003; Pike, 2007). There is no formal approach or model to quantify the relationship between the work of DMOs and overall visitor levels, length of stay and spending at a destination (Pike 2004; Tian et al 2011).

Moreover, another question is raised by the existing literature. The current studies in this field normally focus on a particular destination (Presenza, 2005). However there are various nature and levels of DMOs, and they are located in various places under different socio-cultural backgrounds. Thus, each DMO may lay particular emphasis on different aspects, as they have differential appeal in terms of tourism development. Consequentially, any measurement of the performance of those DMOs should consider the specificity of each DMO's role(s). Indeed, destination management is seen to encompass a key role in addressing the many and sometimes conflicting issues that arise due to the multi-sectoral nature of tourism (Howie, 2003). However, within a limited number of literatures, large geographical areas are selected as to the subject of study, ignoring many relatively smaller and less developed places. Thus, the need to shift the focus to a more local level place has been

suggested by Middleton (1994). Indeed, Gilbert (1990) and Buhalis (2000) had identified various types of destinations with their distinct features.

#### **1.4 Chinese DMOs: a case of neglect**

There are three key reasons why China is a suitable empirical focus for this research. The first relates to the visible and rapid development of the Chinese tourism industry since 1978. The Chinese Government has increasingly moved away from a strict adherence to the ideology of communism and Mao's definition of socialism; it now encompasses all the main features of a market economy, making adjustments within the one-party system to accommodate the need for greater flexibility (Sofield and Li, 2011). China's tourism industry is one of the industrial sectors that have, over several decades, benefited significantly from a consistency of policy frameworks and the innovation of economic system (Wang and Ap, 2013). Secondly, the political and economic influence of China as a socialist developing country means its DMOs operate under different conditions than those in Western countries. In socialist countries, where the private sector is small or non-existent, the level of government involvement would be greater than that in countries that have a predominantly free-enterprise philosophy (Jenkins and Henry, 1982). Thirdly, China is famous for its vast size (Wang and He, 2013) and therefore presents the possibility to study various nature and levels of DMOs. When these three factors are combined they present China as a compelling case through which to explore the nature of DMOs, in particular in relation to its unique geopolitical standing. The detailed discussion of those three reasons for choosing China's DMOs as a suitable case for studying their PMSs is given as below.

Firstly, China is considered to be one of the most important forces in the worldwide tourism industry (Boniface and Cooper, 2009). With the rapid

speed of development of the Chinese tourism industry, many scholars had started to focus on the potential research gaps to Chinese tourism development (Wen, 1997; Sofield and Li, 1998; Zhang, Chong, and Ap, 1999; Zhang, Zhang, Pine and Zhang, 2000; Zhang, Chong and Jenkins, 2002; Huang, 2004; 2009; Huang and Hsu, 2008; Tian et al., 2011). According to the latest report from UNWTO (2013), in 2012 China became the largest spender in international tourism globally. It is well known that since the introduction of the Open-door policy by Deng Xiaoping in 1978, the tourism industry in China has developed at an incredible pace (Law, Leung and Lee, 2012; Hou, 2012; Wang and Wall, 2012). The Chinese government first established and pronounced the importance of tourism as an important part of the service industry in the 1980s. Tourism was further designated as a growth point of the national economy in the late 1990s. So far, over two-thirds of the provincial governments in China are committed to making tourism one of their pillar industries (Lew et al 2003). Nowadays, the tourism industry has become one of the most important economic sectors in China. The World Tourism Organisation predicts that China will be the world's most popular travel destination in terms of the number of tourist arrivals in 2020 (Meng, Li and Uysal, 2010). It is also interesting to note that the websites of many major national tourism organisations now have a simplified Chinese version (Tse and Hobson, 2008). China's domestic and international tourism have experienced rapid growth in the past three decades and that tourism development is positively related to the quality of life of Chinese residents (Meng et al., 2010). In particular, despite three years of global economic downturn, China's tourism sector witnessed a general recovery and a fast growth in 2010 with 935 million international and 2.1 billion domestic tourist arrivals (Yan, 2013). The obvious economic contribution of the tourism industry in China highlights the significance of studying Chinese tourism development (Yan, 2013).

Secondly, China is a developing country with a socialist economy and there is very little private sector involvement in the tourism industry. As with most socialist developing countries (Zhang et al., 1999; Huang, 2004; Cooper et al., 2008), the government has played a dominant role in organising, co-ordinating and promoting the tourism industry, especially, in the case of China since the introduction of the economic reform or “Open-door” policy advocated by Deng Xiao Ping in 1978 (Zhang, 2003; Jackson, 2006; Lai, Li and Feng, 2006; Xiao, 2006). The private sector only largely exists within the hospitality industry in China (Zhang et al., 1999). Although the private sector plays an increasing role in Chinese tourism, its development is still controlled by the public sector. Indeed, with the influence of a socialist political system and a long history as a centrally planned economy, China’s public policy-making and implementation still serves as an overarching umbrella for development (Airey and Chong, 2010). It is such supreme power that has enabled the Chinese government to expand rapidly the tourism industry through a variety of policy initiatives and measures. The China National Tourism Administration (CNTA) is the national DMO in China, and operates under the charge of the state council. Government involvement has been considered as one of the important approaches to improving tourism performance (He, Ma and Zheng, 2007). Governments in developing countries tend to be more actively involved and have assumed key developmental and operational roles (Huang, 2004; 2009). However, the number of State-owned enterprise (SOE) and private businesses has been a more recent development in the Chinese tourism industry (Jackson, 2006). Privatisation, via the sale of SOE has been a major political and economic phenomenon over the past few decades (Burns and Novelli, 2012). Nowadays local governments in China have begun to lease scenic areas to private enterprises to fund their development as tourist attractions (Huang, Bao and Lew, 2011). Given that most socialist and communist economies from every region in the world have recently started

implementing economic reform programmes, the reduction in size of the public sector through privatisation has become an important part of such programmes (Omran, 2004).

Thirdly, China's vast and diverse territory is rich in tourism resources (Wang and He, 2013). In the context of the socialist political system, those natural and cultural resources are controlled by different levels of the public sector under Chinese territorial administration (Logan, 2011). Generally, the Chinese territorial administrative system of the historic and modern state has shared a discernible two-level structure between the "central" and "local" (Cartier, 2004). In this system, the centre is privileged and the meaning of "local" encompasses multiple (from town to province) scale positions (Cartier, 2004). In the case of China, the territorial administrative hierarchy is the state's administrative institution, from the national capital to provinces, cities, counties and towns in general (Ma, 2005). CNTA is an agency mainly responsible for the formulation of specific tourism policies, and these specific tourism policies usually take the form of an ordinance or regulation directly affiliated to the State Council at the national level (Chong, 2000). At the local level (i.e. city and county), the local municipal government is mainly responsible for the formulation of tourism policies, and the local DMOs have autonomy to make proposals and provide suggestions to the local municipal government for tourism policy-making (Wang and Ap, 2013). Such complex bureaucratic institutions provide more chances to explore the diversity of DMOs at different territorial levels.

### **1.5 Research aims and objectives**

This research aims to investigate the adoption of Performance Measurement Systems adopted by Destination Management Organisations in China with special consideration into their organisational nature and administrative levels.

In order to achieve this, three research aims are sought and presented in Table 1.1:

**Table 1.1 Research aims and objectives**

<b>Aim 1</b>	to critically review literature regarding DMOs
Objective 1.1	to critically review worldwide literature regarding DMOs
Objective 1.2	to examine the development of Chinese DMOs
Objective 1.3	to develop a model of PMS adopted for Chinese DMOs
<b>Aim 2</b>	to critically assess the current management system of DMOs in China
Objective 2.1	to examine the functions of Chinese DMOs in relation to organisational nature and administrative level
Objective 2.2	to evaluate the current PMS adopted by Chinese DMOs
<b>Aim 3</b>	to provide recommendations to Chinese DMOs
Objective 3.1	to refine the model of PMS, particularly for Chinese DMOs
Objective 3.2	to offer long-term strategies for the current Chinese DMOs to minimize existing shortcomings and to increase the effectiveness of the PMS that they adopt

(Source: the author own data)

### **1.6 The significance of this research**

The recent development of China's tourism industry has provided enough incentives for tourism researchers to conduct different studies to examine various issues (Lew, Yu, Ap and Zhang, 2003; Xiao, 2006; Law et al., 2012). According to the study by Andreu, Aldás, Bigné and Mattila (2010), marketing and promotion were the most popular research foci in the issue of tourism management during the period 1997 to 2008. Law et al (2012) analysed articles published in the Journal of China Tourism Research in the period 2005 to 2010, and found that there was no comment in the published researches regarding the performance measurement or evaluation of DMOs in China.

The Chinese government has the ultimate leading role in planning and promoting the tourism industry (Tian et al., 2011). In places where heavy government involvement exists, there is a growing concern over the effectiveness of policies in facilitating job and wealth creation, as well as their contribution to environmental protection and also the protection of cultural identities (Xie, 2003). As the famous remark goes, “Good management starts with good measurement” (Aaker, 1996:316); thus the interrelationship between management and measurement can be seen clearly. In recent years, China’s national and local tourism authorities have put significant effort into tourism destination marketing and publicity (Yan, 2013). However a lack of evaluation of the performance of the adoption of PMS may lead to failure in the future sustainable development of destination management (Tian et al., 2011). Thus, this thesis aims to fill the gap and add a new contribution by examining the PMS adopted by Chinese DMOs.

This study differs from previous similar studies, such as Pike (2004), Presenza, Sheehan and Ritchie (2005) and Bornhorst, Brent and Sheehan (2010), in that it begins with an holistic review of a DMOs’ functions, and then gives a special insight into their inner administration systems. Finally, Chinese DMOs are chosen as the target of this research with particular concern for the outcomes of the PMS they adopt. In this case, it is not only a chance to generally review the functions of Chinese DMOs, but to also give a premise to investigate their PMS.

Furthermore, this study also highlights the significance of discussing PMS adoption from different perspectives. The content and application of PMS varies in relation to organisational nature and at the different administrative levels DMOs operate at. In this case, the study is intended to provide up-to-date empirical data regarding various Chinese DMOs performance in their



application of PMS, and thus also make a significant contribution to existing tourism studies.

In addition, the study actively participates in the design of a PMS model for Chinese DMOs. A final framework is proposed, so as to address the limitations of existing performance measurement models that were developed in western economies. The significance of this model is in how it integrates with previous PMS models from various angles, and takes into account features of the Chinese tourism industry. In contrast with previous studies (Pike, 2004; Presenza et al., 2005; Bornhorst et al., 2010), this research begins to examine PMSs from a holistic view of how DMO systems operate, taking into account the functions of stakeholders, employees and customers. Detailed indicators are recognised in existing contributions (Kaplan and Norton, 1996; Tochia and Quagini, 2010). The main contribution of this study is to provide a distinctive insight into the issue of PMS in DMOs, whilst at the same time investigating the roles of DMOs in China as part of the overall research process. This research works towards a refined, final framework that applies to the operation of Chinese DMOs; and in order to achieve that objective a number of case studies are presented.

### **1.7 Methodology**

In order to achieve the above research aims and objectives, this research is designed to be conducted and completed from an 'insiders' perspective (e.g. people participating in the implementation of tourism policy such as government officials and staff in tourism industry associations). In order to break the barrier of connecting potential specialized persons in the research, social media was used as the main recruiting instrument to connect possible participants in the research. Sina Weibo is one of the most popular Chinese microblogs and is selected because it possesses the largest number of users

and also has best reputation in China (Men and Tsai, 2012). The participants in the research are normally the managers or high-level staff in different DMOs in China. Thus, Sina Weibo provides a platform to connect with real people in the virtual society. This study is designed based on two rounds of questionnaires survey. A semi-structured questionnaire is initially conducted and then a structured interview is followed. Due to the different nature of data, two different types of software packages were adopted in the data analysis. The Statistical Package for the Social Sciences (SPSS) is used for quantitative data and NVivo is used for qualitative data.

### **1.8 Organisation of this thesis**

The organisation of this thesis is as follows:

Chapter 1 provides a general introduction to the research, dealing with the rationale for this study. The research aims and objectives are also mentioned. Then the significance of this research is highlighted. The methodology of this research is briefly introduced as well. The chapter ends with a broad outline of the entire thesis

Chapter 2 reviews existing literature on destinations and DMOs. Firstly the chapter briefly discusses the difficulty in defining a destination and the future trend in relative studies. It then draws on the existing literature that contributes to the defining of what a DMO is, and the difficulty of arriving at that definition. Then the categories, nature, and functions of DMO in general are widely discussed. Finally a summary for the whole chapter is provided.

Chapter 3 reviews existing literature on China tourism development, and focuses mainly on Chinese DMOs. It generally reviews the historical development of tourism in China with particular discussion of the importance of Chinese government involvement to tourism industry. In addition, the issue

of privatisation in Chinese tourism industry is also well examined. The challenges for the current Chinese tourism industry are also discussed for further consideration. Another main focus for this chapter is to discuss the historical development of Chinese DMOs. The nature of Chinese DMOs and their functions are widely discussed. Finally a summary for the whole chapter is provided.

Chapter 4 reviews existing literature on PMSs in general. It begins with a discussion of the historical development of PMSs' theories. The features of PMSs for the public sector are specially discussed as almost Chinese DMOs are public in nature. Then the adoption of PMSs in DMOs are widely reviewed and discussed with several outstanding previous works in tourism management studies. Finally, this chapter ends with a PMS model for Chinese DMOs' adoption that was developed based upon the previous relative studies.

Chapter 5 aims to introduce the rationale of the research methodology and the ability of potential data collection methodologies to meet the data requirements of the thesis. The chapter begins by determining the philosophical position of this study. As part of this, a discussion of 'Grounded Theory' shows the relationship between ontological and epistemological concerns in the research. Part of this discussion relates to the evaluation of a qualitative approach. Finally, research development is further critically discussed to show the rationale and development of this research.

Chapter 6 firstly presents the results of respondents' information in the research. Secondly, the findings concerning the functions performed by Chinese DMOs are examined and discussed. The most common functions accepted by DMOs participants are explored and described on the basis of

their choices in general. Finally, the key points are summarised in the conclusion.

Chapter 7 further examines and discusses the results of the functions of Chinese DMOs in relation to their nature and levels in the research. In order to better organise and analyse various data, several groups have been identified to represent each function. A conclusion is provided at the end of the chapter.

Chapter 8 presents the findings concerning the functions performed by Chinese DMOs. The most popular methods of PMS used by most of the DMOs participants are explored and described on the basis of their choices in general. A conclusion is given at the end of the chapter.

Chapter 9 further examines and discusses the results of the PMS adopted by the Chinese DMOs in relation to their nature and levels. The performance measures are categorised into alternative groups based on each evaluation foci and discussed for each situation. Then a refined model of PMS is given with several practical implications. Finally, the key points are summarised.

Chapter 10 reviews and summarises the key findings of the research, and provides several recommendations and practical implications for Chinese DMOs to adopt the new PMS model. The significance of the research is highlighted by discussing the theoretical contributions that have been made to tourism research. The limitation of the research is also discussed based on the criteria of the trustworthiness of qualitative research. Finally, it suggests a future study plan.

## Chapter 2 Destination Management Organisations (DMOs)

### 2.1. Introduction

Research centred on 'destination' can be traced back to the last few decades of the twentieth century. Early studies (Gunn, 1972; Dredge, 1999; Getz, 1992; Getz, Anderson and Sheehan, 1998) mainly focused on the conceptualisation of tourism and destination planning. The most influential work from that time introduced the concept of the Tourist Area Lifecycle (Butler, 1980; Inskip, 1991, 1994; Shaw and Williams, 1997). In the mid 1990s, studies shifted their concern towards the environmental impacts of destination development (Garrod and Willis, 1992; Archer, 1996; Laarman and Gregersen 1996; Faulkner and Tideswell, 1997). During the mid 1990s, aspects relating to the 'image' of a destination also began to be emphasised by many scholars (Chon 1990, 1991; Seaton 1997; Molina, Gómez and Martín-Consuegra, 2010; Pan and Li, 2011; Qu, Kim and Im, 2011; Casado-Diaz and Vera-Rebollo, 2012).

More recently, studies have been influenced by marketing demand, and have placed greater importance on tourist destination choice and the modelling of tourist movements (Huybers 2003, Lam and Hsu 2006; Sartori, Mottironi and Corigliano, 2012). In addition many studies have focused on more specific aspects of destination marketing, such as branding (Morgan, Pritchard and Pride, 2012; Ashton and Scott, 2012; García, Gómez and Molina, 2012), target marketing (Lee, Morrison and O'Leary, 2006; Tsiotsou and Goldsmith, 2012; Niininen, March and Buhalis, 2012) and niche marketing developments at particular destinations (Voigt and Laing, 2010; Lim and Bendle, 2012; Novelli, 2012). At the same time, a new concern raised to explore the nature and role of destinations as providers of experiences (Fyall, 2010). A significant relevant work here was Pine and Gilmore (1999) who brought forward the theory of the 'Experience Economy'.

In the past decade, studies (Dredge, 2006; Fyall and Garrod, 2005; Sheehan and Ritchie, 2005; Anuar, Ahmad, Jusoh and Hussain, 2012) have increasingly focused on the complex relationships among actors and

stakeholders within destinations, and the means by which they can collectively manage better the destination “experience” for consumers. One such study from Jamal and Jamrozky (2006) suggested that destinations can be viewed as complex, in that when there are multiple stakeholders with varying degrees of influence over decision-making, then no one individual stakeholder can fully control development and planning. Ritchie and Crouch (2003) provided a valuable overview of the management of destinations in the wider context of sustainability, and introduces a suitable conceptual framework.

Contemporary studies (Fyall, 2010; Waligo, Clarke and Hawkins, 2012; Della Lucia and Martini, 2012) suggested that due to the growing complexity and challenging background of many destinations, it was imperative to concentrate on the management of destinations structures, the relationships both within and external to destinations, and the myriad actors and stakeholders that collectively constitute the destination. A DMO is an organisation in charge of almost all potential activities and members within tourism and hospitality related entities, so that it can offer a long-term strategy and provide possible services to ensure the healthy development of a certain area (Pike, 2004). DMOs may cover a country, state/ province, region, or specific city or town, and are a critical component of the tourism industry. In other words, DMOs can be identified as having many different sizes and levels (Cooper et al, 2008).

Therefore, by reviewing existing relevant literature this chapter specifically examines the complexity of DMOs. The chapter firstly discusses the difficulty of defining a DMO from the perspectives of size and level. Secondly it draws on the existing literature that contributes to the definition of the categories and nature of DMOs. Thirdly, based upon various studies, the general functions of a DMO are widely discussed. Finally a summary of the whole chapter is provided.

## **2.2 The definition of DMOs**

To provide an adequate discussion of DMOs, and how they are defined, it makes sense to consider what each of the letters represents. Therefore a discussion of what each letter in DMO means now follows.

The 'D' in DMO stands for Destination; and destinations are amalgams of tourism products that offer an integrated experience to consumers (Buhalis, 2000). Thus, there are various viewpoints regarding the definition of destination. Normally, destination is defined by a geographical perspective. For example, Bornhorst, et al (2010:1) defined a tourism destination as "a geographical region or major attraction, which seeks to provide visitors with a range of satisfying to memorable visitation experiences". Indeed, Cooper et al (2008) also argued that destinations can be categorized in relation to geographical settings such as in urban, rural and coastal environments. Bornhorst et al (2009) suggested that it is conceptually and managerially more effective to view a destination as a geographical region which contains a sufficiently critical mass or cluster of attractions so as to be capable of providing tourists with visitation experiences that attract them to the destination for tourism purposes. The same authors developed the notion that destination can be framed by a political jurisdiction, and that geographical boundaries normally coincide with the boundaries of a political jurisdiction, be it a country, state, province, municipality or city (Bornhorst et al., 2009). Cooper et al (2008) similarly recognised a destination as a collection of countries, a distinct state, country or province, or alternatively a local city, town or resort, national park, area of outstanding natural beauty or coastline. There is some degree of overlap and interchangeability here, and Keller (2000) noted that people often use region, district, area and locality as synonyms together with the adjective tourism to mean tourism destination.

Furthermore, another common perspective from which to define a destination is that which comes from the supply-side and the demand-side (Pike 2004). From a supply-side, a destination is a supply system with a specific area (Tamma, 2002; Brunetti, 2002). Buhalis (2000:98) described a destination as "a well-defined geographical area which is understood by its visitors as a

unique entity, with a political and legislative framework for tourism marketing and planning". On the other hand, many scholars (Leiper, 1995; Martini, 2001; Pechlaner and Weiermaier, 2000) advocated that a destination is a set of products, services, natural and artificial attractions that can attract tourists to stay, in order for the tourists to experience certain features or characteristics there. Pike (2004:11) summarised those two viewpoints, adding that "destinations are places that attract visitors for a temporary stay, and range from continents to countries to states and provinces to cities to villages to purpose built resort areas. At the foundation level destinations are essentially communities based on local government boundaries".

More recently, destination has been studied from a more holistic viewpoint (Neuhofer, Buhalis and Ladkin, 2012; Chiang, 2012). Under this conceptualisation, a destination is defined by the integration of different perspectives. In a holistic definition, there is clear concern with management issues in terms of co-ordinating actions among the individual entities (Presenza et al., 2005). For example, Fyall, Oakley and Weiss (2000) suggested that a destination is considered as a locality which is influenced by way of its management style and their stakeholders. By implication, one must then recognize that the destination is an entity whose component parts are interdependent, whereby a change in one has ramifications for all of the others (Presenza et al., 2005).

The 'M' of DMO has two possible meanings; it can mean 'marketing' or it can mean 'management'. The initial viewpoint was that it should be understood to mean *marketing*. Indeed, many authors, for example, Dore and Crouch (2003) recognised that marketing remains the principal purview of a DMO. Theoretically, the viewpoint of marketing had been suggested by Murphy (1985) as an exchange process between supply-side, which is from the travel and tourism industry, and demand-side which represents consumer travellers. Historically, Gartrell (1988) described the main role of DMOs as that of selling cities. Pike (2004) also pointed out that marketing should be viewed as an organisational philosophical ideal, and a marketing orientation should pervade the entire organisation. Indeed, Kotler, Adam, Brown and Armstrong (2003,



cited in Pike 2004:1951) believed that “a marketing orientation is a philosophy that recognises the achievement of organisational goals requires an understanding of the needs and wants of the target market, and then delivering satisfaction more, effectively than rivals.” However, research increasingly suggests that the central activity of a DMO is better represented by the term of management, rather than marketing alone. Ritchie and Crouch (2003:188) argued that in “the past, the importance of the marketing and promotion roles of the DMO were of such priority that the DMO label was understood to mean destination marketing organisation”. It is only in recent years that DMOs have acknowledged how significant their non-marketing roles are in developing, enhancing and maintaining destination competitiveness. Cooper et al (2008) considered that the “M” emphasizes total management rather than marketing. Although Pike (2004) stated the main duty of a DMO is selling a product, Cooper et al (2008) considered that destination promotion is no longer the sole purpose of the DMO. It is widely accepted that the role of destination management better deals with issues facing the contemporary tourism industry (Presenza et al., 2005). According to Franch and Martini (2002:5), it was possible to define destination management “as the strategic, organisational and operative decisions taken to manage the process of definition, promotion and commercialisation of the tourism product [originating from within the destination], to generate manageable flows of incoming tourists that are balanced, sustainable and sufficient to meet the economic needs of the local actors involved in the destination”. Ritchie and Crouch (2003:188) stated that “nearly all progressive and effective DMOs in today’s world now appreciate the importance of their more broadly based mandate and use DMO to mean Destination Management Organisation”. In this research, unless otherwise stated, DMO will always mean Destination Management Organisation.

Organisation is represented by the letter “O” in DMO. Organisations have been defined by Inkson and Kolb (1998:6) as “formal entities in which a complex interaction of people, materials, and money is used for the creation and distribution of goods and services”. However, there is no consistency in

how DMO is used around the world. A myriad of types of DMOs are named by their different characteristics. For example,

- Administration (China National Tourism Administration)
- Agency (Latvian Tourism Development Agency)
- Authority (The Gambia Tourism Authority)
- Board (British Virgin Islands Tourist Board)
- Bureau (Hawaii Visitors Bureau)
- Centre (Le Centre Gabonais de Promotion Touristique)
- Coalition (North Carolina Travel & Tourism Coalition)
- Commission (Nevada Commission on Tourism)
- Company (New York City and Company)
- Corporation (Virginia Tourism Corporation)
- Council (Swedish Travel & Tourism Council)
- Department (Dubai Department of Tourism and Commerce Marketing)
- Destination (Destination Northland)
- Development (Northern Tasmania Development)
- Directorate (Crete Tourism Directorate)
- Institute (Nicaraguan Institute of Tourism)
- Ministry (Israel Ministry of Tourism)
- Organisation (Cypress Tourism Organisation).
- Region (Bundaberg Region Limited)

As discussed previously, all three elements together can be defined as Destination Marketing Organisation or Destination Management Organisation. In this study, a DMO is understood as being a Destination Management Organisation. Where Marketing is the operative term, then DmO will be used. The transition of DmO to DMO in tourism studies is growing in its importance due to their significant non-marketing roles such as developing, enhancing and maintaining destination competitiveness (Heath and Wall, 1992). Cooper et al (2008) considered that destination promotion is no longer the sole purpose of the DMO. Ritchie and Crouch (2003) further explained that the role of DMOs has strengthened and spread as destinations have attempted to play a more proactive role in fostering and managing the benefits of tourism development. Indeed, Buhalis (2000:99) suggested that DMOs could be

widely formed as “part of the local, regional or national government and have political and legislative powers as well as the financial means to manage resources rationally and to ensure that all stakeholders can benefit in the long term.” Hence, the conception of DMO is identified by the North West Regional Development Agency (North West Regional Development Agency 2004, cited in Cooper et al 2008: 493) as “any organisation, at any level, which is responsible for the management of an identifiable destination”. Thus the definition of DMO as “a recent conceptualisation of the organisation function for the management of destinations, where ‘M’ emphasises total management rather than marketing” (Cooper et al., 2008:492), has been perceived as the most appropriate organisational arrangement to meet fully the experiential needs of visitors (Tian et al., 2011).

### **2.3 The category of DMOs**

Various types of DMOs have been discussed and categorised from different perspectives. The World Tourism Organisation (UNWTO) (1979) introduced the term National Tourism Office (NTO); this is used to represent the entity with overall responsibility for marketing a country as a tourism destination. Doswell (1997:93) adopted a term of Government Tourism Administration (GTA); he argued that “A GTA covers all branches and levels of government and may not comprise one organisation alone”. A classic example here would be Tourism Australia which was inaugurated on 1 July 2004, when it brought together four separate organisations – the Australian Tourist Commission, See Australia, the Bureau of Tourism Research (BTR) and Tourism Forecasting Council (Tourism Australia, 2005). This concept replaced the more traditional idea of a NTO. Historically a NTO tended to represent a narrower concept, concentrating mostly on domestic and international marketing, tourism statistics and some regulatory functions. Doswell (1997) also suggested that a GTA can involve a number of different levels: national, regional, area and municipal. Elliot (1997:2) suggested that “government have responsibilities which require them to get involved in policy areas such as tourism.”

Elliot (1997:2) further stated that “the main instrument used by governments is Public Sector Management (PSM) which includes all types of public organisations ranging from national government departments to small tourism units managed by local governments”. The concept of a Public Tourism Office (PTO) was created by Elliot (1997) for offices in charge of various type of government including national, state and local, and they can be either active or passive in tourism management and in the use of government powers.

According to the UNWTO (2004) DMOs generally fall into one of the following categories:

- National Tourism Authorities/ Administration (NTAs) or Organisations/Offices (NTOs), responsible for the management and marketing of tourism at a national level.
- Regional, provincial or state DMOs (RTOs), responsible for the management and/or marketing of tourism in a geographic region defined for that purpose, sometimes but not always an administrative or local government region such as a county, state or province.
- Local DMOs, responsible for the management and/ or marketing of tourism based on a smaller geographic area or city/town.

The above official categories also provide the thinking of DMOs at different administrative levels. This point of view is widely accepted, and applies in most countries in the world.

#### **2.4 The nature of DMOs**

The nature of DMOs has long been recognised as a leverage point for gaining, at sometime in the future, a competitive advantage within the tourism industry (Galbraith and Lawler, 1993). Many scholars (Franch and Martini, 2002; Ritchie and Crouch, 2003) have discussed DMOs vary in relation to organisational nature, including a government department or a division of a government department, a quasi-governmental organisation (such as a crown/government corporation), a joint public/private agency, a not-for-profit membership-based organisation, and private organisations. Historically, DMOs have operated as government departments (Pike, 2004). The public

sector involves government at a variety of geographical scales and may become involved in tourism for various economic, political, social and environmental reasons (Hall and Jenkins, 1998).

Historically there are four main aspects in which the public sector has tended to be involved with in the tourism industry: transportation, public utilities, urban services, and direct control over land use (International Union of Official Travel Organisations, 1974). Great emphasis in public administration is placed on the rule of law (Doswell, 1997). Politics, as the result of the rule of law in decision-making, is considered as a significant aspect of DMO governance, and may even be unavoidable. Politics has been described as “the striving for power, and power is about who gets what, when and how in the political and administrative system and in the tourism sector” (Elliott, 1997:10). Doswell (1997) further explained that business would not be able to operate effectively without a legal framework.

Tourism is not usually regarded as an essential government service when compared to areas such as health, education and security (Pike, 2004). It is necessary for the tourism industry to operate with various stakeholders' contribution due to the fragmented nature (Pavlovich, 2003). However, Elliott (1997:2) highlighted the important position of government in relation to tourism, suggesting that “the industry could not survive without it”. Pike (2004) explained that the economic growth opportunities in the tourism industry are clearly the prime motivation for government involvement. Indeed, Dredge (2001) suggested that, at a local level at least, economic development initiatives are a key component of government attempts to adapt to changing conditions. In addition, the tourism industry provides a potential source of increased tax revenue for government to help fund essential services (Pike, 2004). He further noted that increased employment opportunities were one of the most important benefits of tourism, which provides the consideration for government planning in this area. From this perspective, the stimulation of tourism as a key economic development has to consider the influence and impact of active government involvement. The studies of Cooper et al.

(2008:445) suggested eleven common arguments put forward for government participation in tourism:

- Foreign exchange earnings and their importance for the balance of payments.
- Employment creation and the need to provide education and training
- Tourism is a large and fragmented industry requiring careful coordination of development and marketing
- The need to maximize net benefits to the host community
- Spreading the benefits and costs equitably
- Building the image of the country as a tourist destination
- Market regulation to protect consumers and prevent unfair competition
- The provision of public goods and infrastructure as part of the tourist product
- Protecting tourism resources and the environment
- Regulating aspects of social behaviour
- The requirement to monitor the level of tourism activity through statistical surveys

More recently, government intervention has been necessary to guide the actions of both the private sector and public sector (Mill and Morrison, 1986, cited in Pike, 2004). From the 1970s it had been evident that a shift was emerging away from direct government involvement in DMO operations. From a survey of 95 NTAs in 1975, the UNWTO (1975) reported that only six that were non-governmental. The UNWTO (1979) also noted that of 100 recognised NTAs, 68 were part of the country's government administration and the remaining 32 NTAs were operating outside the central government administration and had a separate legal identity.

Several public sector limitations have been noted by Doswell (1997) to demonstrate why the private sector has growing significance in the tourism industry. Doswell (1997:96) highlighted the flexibility of the private sector: "The private sector may be quick to try and catch up or adapt. It imports any resources lacking and sets about learning the necessary techniques and skills. It adapts to change. This change rebounds on the culture which, in turn, also starts to change. This is part of the development process. The public sector, by contrast, is more set in its ways and less ready or able to contemplate

change. Public sector officials tend to be more change resistant, less adventurous, and more fixed in their cultural traits than their private sector counterparts". Fyall (2010) recognised that the private sector may be able to draw on more capital than the public sector during the current economic depression.

DMOs can take a number of forms, for example Public-Private sector Partnerships (PPPs). At all levels these PPPs have become the most common form of DMO (Tian et al., 2011). PPPs are essentially a partnership between the public sector and the private sector for the purpose of designing, planning, financing, constructing, providing and /or operating infrastructure, facilities or related services (Kim, Kim and Lee, 2005). PPPs are also defined as "a form of collaboration between public sector bodies and private entities, the objective of which is to ensure funding, construction, reconstruction, management or maintenance of assets or the provision of services" (Rajko, Krajnoric and Tomcic, 2008:3). PPPs were acknowledged by the UNWTO in 1998 as the key to tourism promotion and development (UNWTO, 1999). Indeed, Cooper et al (2008:492) recognize that PPPs are "a popular strategy for tourism destinations". According to Kumar et al (2009:64), PPPs in the hospitality industry are described as a strategy that can "enable the public sector to benefit from commercial dynamism, the ability to raise finance in an environment of budgetary restrictions, innovation and efficiencies harnessed through the introduction of private sector investors who contribute their own capital, skills and experience."

The benefit of PPPs has been proposed and broadly accepted. According to South West Tourism, PPPs are suggested as "an important sector embedded in tourism bodies with public sector and then these two sectors can work together to achieve better outcomes for the visitor at the destination level" (South West Tourism, 2005, cited in Cooper et al., 2008: 493). PPPs present a number of recognized advantages for the public sector to exploit. These include the ability to generate the investment into the tourism development, make the best use of private sector operational efficiencies to reduce cost and increase quality to the public, and the ability to speed up infrastructure

development (Bruxelles, 2003). Poetschke (1995:57–58) proposed the following benefits of a cooperative public–private sector tourist authority:

- Reduced antagonism through representation of all stakeholders
- Avoidance of duplication through enhanced communication channels between represented sectors
- Combined areas of expertise, such as private sector efficiency and public sector holistic benefit-seeking
- Increased funding potential through the reduction in duplicated efforts as well as industry-based taxes
- The creation of a win/win situation through an increase in industry profitability and ensuing increase in government tax revenue.

More potential benefits of PPPs are also discussed in a report by the Sector Development Strategy Tourism Infrastructure (2007):

- Acceleration of Infrastructure Provision
- Faster Implementation
- Value for Money
- Partnership Building
- Enhanced Public Management
- Genuine Risk Transfer
- Output Specification
- Asset Performance & Reduced Costs
- Performance-Related Reward
- Private Investment Promotion
- Improved Quality of Service

Due to the prevalence of PPPs within the tourism industry, a new conceptualization of DMO, that of a Destination Management Company (DMC) has emerged in contemporary academic thought. A DMC can be defined as being a “general contractor that possesses the skills, resources and relationships needed to achieve the goals set, and that designs an offering; engages and manages subcontractors; links up with external agencies to obtain licences, insurance; manages financing; and secures continuous supervision within the entire project management” (Magas and Basan,



2007:621). A DMC is an important advancement in managing a tourism destination as it represents the integrated interests of all stakeholders in the tourism industry of a given destination (Magas and Basan, 2007). A good example here would be DMC Kvarner, which is a broader and more comprehensive company to ensure greater efficiency in managing the Primorsko-Goranska Country destination and its brand (Magas and Basan, 2007).

## **2.5 The function of DMOs**

The reason for a DMO to exist is to ensure the healthy development of the destination. As previously discussed, a destination is “a package of tourism facilities and services, which like any other consumer product, is composed of a number of multi-dimensional attributes” (Hu and Ritchie, 1993:26). Pearce (1992) showed a similar view, and defines a destination as an amalgam of products and services available in one location that can draw visitors from beyond its spatial confines. Thus, Fyall (2010) emphasised that destinations are not the easiest of ‘products’ to manage. Due to its complex nature, Fyall (2010:5) suggested that, “the extent to which complexity and control are so closely intertwined means that it makes more sense for the two to be considered as one”. Indeed, Kerr, Barron and Wood (2001) highlighted a series of critical roles played by the actors that manage tourism destinations. However, Wang (2008) stated that it is very important to balance the extent of various aspects of destination management roles (e.g. branding, promoting, planning) in a more holistic sense.

On the other hand, Morrison et al (1998) suggested that it is also imperative to consider the extent to which management forms serve economic, community, industry, public sector or visitor needs. Although in many areas of the world DMOs are increasing in their importance, in part due to the exponential growth in the reliance on the service sector in many developed and developing economies, the exact composition of stakeholders and diversity of the constitutions of the DMOs is very much an inexact science. Wang (2008:192) commented that “different organisational structures as well as their associated governance mechanisms make the definition of the responsibility

of such organisations difficult and complex, which can possibly lead to disappointment or unrealistic expectations of the local tourism industry”.

Indeed, Ritchie and Crouch (2003) suggested that the role of the DMO is no longer only for marketing, and instead it should be more comprehensive so as to face up to the complexity of the management task. As competition within the tourism industry continues to go forward and globalize, achieving competitive advantages are very important for tourism destinations. Shirazi and Som (2011) suggested that the critical role of DMOs for developing and achieving destination competitive advantage is noteworthy. Bornhorst et al (2010) mentioned that due to the pervasiveness of substitution in the current tourism industry; it is increasingly imperative for destinations to develop a competitive advantage so as to secure long-term success in destination competitiveness. It is acknowledged that the ultimate role of a DMO must be to enhance the long-term competitiveness of the destination (Pike, 2004). Indeed, Juvan and Ovsenik (2008:40) argued that destination management is “a universal strategic approach for achieving the competitiveness of the destination on the global tourist market, where the leading role is given to the tourist”. In this regard, Bornhorst et al. (2010:573) noted that the roles of DMOs, in the broadest of terms, are: “to work towards enhancing the well-being of destination residents; to do everything necessary to help ensure that visitors are offered visitation experiences that are at a minimum, highly satisfactory, and where possible, highly memorable; and while doing so, to ensure the provision of effective destination management and stewardship”.

Nowadays, DMOs play various roles and fulfil different tasks to enhance the competitiveness of destination (Ritchie and Crouch, 2003; Pike, 2004; Cooper et al., 2008). In general, the roles of DMOs are similar around the world (Pike 2004). Table 2.1 (below) is summarised by Tian et al (2011) and highlights the roles of DMOs from the viewpoint of four important scholars (Doswell, 1997; Buhalis, 2000; Ritchie and Crouch, 2003; and Pike, 2004).

**Table 2.1 Roles of DMOs**

Different roles of DMOs	Author (Year)			
	Doswell (1997)	Buhalis (2000)	Ritchie and Crouch (2003)	Pike (2004)
1. An economic driver of new income employment and taxes to create a more diversified local economy		✓	✓	
2. A community marketer, communicating the most appropriate destination image, attractions and facilities to selected markets	✓	✓	✓	✓
3. An industry coordinator, providing a clear focus and encouraging less industry fragmentation so as to share in the benefit		✓	✓	✓
4. An origination regulator, defining related laws and regulations	✓		✓	
5. A quasi-public representative adding legitimacy for the industry and protection to visitors	✓		✓	
6. To represent public awareness	✓	✓	✓	✓
7. An operator, ensuring the quality of service and delight visitors by maximizing their satisfaction	✓		✓	
8. An organizational administrator, in charge of different departments (e.g. human resource development)	✓		✓	
9. To administer the national financial aid scheme for assisting tourism development and ensuring long-term funding			✓	✓
10. To monitor and collect tourist statistical information and to conduct tourism research	✓		✓	
11. To deal with international relations (e.g. WTO)	✓			
12. To attempt education and training purpose			✓	

(Source: Tian et al., 2011)

Table 2.1 shows that all four scholars agree that marketing is one of the most important roles for a DMO. Pike (2004) argued that there are many ways in which a destination can be promoted. This highlights the vital role that marketing has within DMOs. Dore and Crouch (2003) admitted that although DMOs should play various roles in product development and operations, the principle management function is that of marketing. Also, Pike (2004) noted that in every destination community there is a diverse range of opinions on how tactics should be employed. Therefore DMOs need to work around the theme of marketing all the time. Laws (1995) argued that DMOs need to identify appropriate ways of attracting clients to each segment, consider ways to develop or adapt services and set prices and create promotional campaigns, which it is hoped will generate the visitors needed to achieve targets.

Furthermore, great importance has been attached to the DMO's role of industry coordinator. As Collins and Buhalis (2003:202) stated, the role of the DMO is to "act as a facilitator to achieve the strategic objectives of destination." Fabricius, Carter and Standford (2007) further suggested that by leading and coordinating activities under a coherent strategy DMOs should meet the objectives of a destination. Indeed, Laws (1995) suggested that destinations are characterized by a variety of business organisations, and fragmented co-ordination. Morrison et al (1998) suggested that one of a DMO's most important roles is that of providing a clear focus and encouraging less industry fragmentation so that more parties benefit from the tourism industry.

In addition, Ritchie and Crouch (2003) noted the role of coordination that a DMO must perform, with coordination being at the core of ongoing, long-term success. Fabricius et al (2007:2) explained the key to coordination is not to "control the activities of their partners but bring together resources and expertise and a degree of independence and objectivity to lead the way forward". Due to the nature of the destination, it is not possible to control this amalgamation if all elements are not owned by the same body (Fyall, 2010). Harrill (2009:462) even made the point that "fragmentation of control is further

exacerbated by the element of public and social good contained in tourism development and marketing, which enhances public sector involvement in tourism, but provides for different goals, policies and desired outcomes". Ritchie and Crouch (2005) noted that a DMO exists primarily to help coordinate the deployment of other parties resources, rather than the actual deployment of their own resources; they further commented that the ability of DMOs to coordinate with stakeholders even influences the whole destination management performance.

Moreover, the very nature of tourism as a service industry demands that the observance of quality standards and the monitoring of services are further important roles of DMOs. This point of view was widely accepted by many scholars (O'Neill et al., 1994; Wahab et al., 1976; Kerr and Wood 2000; Atilgan, Akinci and Aksoy, 2003; Williams and Buswell, 2003). Their research showed that a focus on visitor satisfaction and a capacity to maintain consistency of service quality is extremely beneficial. "Tourism is a business of selling memorable experiences" (McDowall, 2010:24). In other words, the consumer experience is very important for travel and tourism businesses (Hsu, Killion, Brown, Gross and Huang, 2008). The challenge for the current tourism industry is how to efficiently manage and promote their resources in order to supply a unique and high quality experience to tourists (Cracolici and Nijkamp, 2008).

A tourist's positive experience of a tourism destination is important because it could produce repeat visitation, as well as recommendations for other potential tourists (Postma and Jenkins, 1997; Bramwell, 1998; Oppermann, 2000; Taks, Chalip, Green, Kesenne and Martyn, 2009). In the tourism industry intentions to revisit a destination and to recommend it to a potential tourist are acknowledged by many scholars and researchers as indicators of loyalty (Cai, Wu, and Bai, 2003; Chen and Gursoy, 2001; Chi and Qu, 2008; Niininen et al., 2004; Oppermann, 2000; Petrick, 2004). At the same time, loyalty is emphasized by a majority of studies because of its positive and strong link with profitability (Loveman, 1998; Reichheld, 1996; Rust and

Zahorik, 1993). Profitability is also the ultimate objective for every DMO (Kuokkanen, 2013).

Hence, DMOs need to enhance their roles in monitoring and improving the visitors' satisfaction significantly. Indeed, Stankovic and Petrovic (2007:13) argue that "the fundamental product in tourism is experience, and destination management is a necessary and powerful tool for ensuring the quality of such an experience." The quality of experience and the style of service delivered are significant factors in tourists' satisfaction (Laws, 1995). Customer satisfaction is considered a major matter in both conceptual and empirical studies focusing on customer loyalty and customer retention (Back & Parks, 2003; Bigne, Sanchez and Sanchez, 2001; Oliver, 1999; Yoon and Uysal, 2005; Liao and Hsieh, 2011).

To summarise the above, a DMO often works as a series of marketing functions such as promotion and sales. However, in order to enhance destination competitiveness, it is necessary to develop other non-marketing functions (Tian et al., 2011). Generally, the functions of DMOs can be divided into the aspects of management and marketing. However, marketing is only one of various management functions. Thus, a DMO represents a Destination Management Organisation rather than just a Destination Marketing Organisation.

## **2.6 Conclusion**

Chapter 2 began with a discussion about the complexity of 'destination'. The difficulty of defining and managing a destination led to the issue of the necessity of DMOs' existing. DMOs may exist in a country, state/ province, region, or specific city or town, and are a critical component of the tourism industry. DMOs could be involved in many geographical levels such as national, provincial, city level or town level. The organisational nature of DMOs has become one of the hottest topics within current tourism research. In many countries the innovation of PPPs have been widely accepted and adopted in destination management.

This chapter also specifically examined the roles of DMOs. In other words, the various functions of DMOs were explored and discussed. Fundamentally, DMOs still are keen to seek the long-term success of destination competitiveness. In this case, efforts needed to be made from various aspects. Generally, DMOs perform three main functions. Firstly, marketing is no doubt the most acknowledged role for DMOs. Secondly, as a service industry, the nature of tourism demands a fixation with quality standards, therefore monitoring service and quality standards is another most important role of DMOs. Thirdly, great importance has been attached to the role of industry coordinator in providing a clear focus and encouraging less industry fragmentation so as to share in any potential economic benefit and meet the ultimate profit for each stakeholder. Thus, the conclusion can be drawn that the term DMO represents a Destination Management Organisation rather than the more narrow definition of a Destination Marketing Organisation.

## Chapter 3 DMOs in Chinese Tourism Development

### 3.1 Introduction

The significance of the tourism industry in China has been widely discussed from the viewpoint of economic growth (Wu, Xie, and Quan, 2009). In the last 30 years, tourism development in China has emerged from nowhere to overtake most other countries. With over 50 million international arrivals each year, it is now the fourth most visited destination in the world, whilst at the same time its domestic tourism industry is perhaps unrivaled, reaching 1.9 billion visitations in 2009 (CNTA, 2010). In this respect credit should be attributed to the Chinese government for their long-term approach to adopting the planned economy (Airey and Chong, 2010). The Chinese government sees the main contributions of tourism as being the earning of foreign exchange, increasing employment opportunities and promoting regional development (Zhang, Chong and Jenkins 2002). As Sofield and Li (2011:502) stated, no other socialist country, other than China, has “elevated tourism to the status of a pillar industry recognised by its government as of primary importance”.

However, Chinese DMOs developed over a long period that included changes in central government policies. Against the background of the planned economy, state-owned enterprises were the dominant force in China before 1978; little private ownership existed in that period (Jenkins and Henry, 1982; Zhang et al., 1999; Qin, Wall and Liu, 2011). In 1999 this situation changed, when all state-owned enterprises were devolved from government control. After China entered the World Trade Organisation (UNWTO) China’s tourism became more international, and an increased number of private ownerships began to operate solely in the Chinese tourism and hospitality industry (Sofield and Li, 2011).

Thus, this chapter reviews existing literature on the development of tourism in China, and focuses mainly on their DMOs. It generally reviews the historical development of China, and then leads on to the current issue of privatisation in the Chinese tourism industry. The challenges for the current Chinese



tourism industry are also discussed for further consideration. Another important focus for this chapter is to discuss the historical development of Chinese DMOs. The nature of Chinese DMOs and their main functions are also broadly discussed.

## **3.2 China's tourism development**

### **3.2.1 The history of tourism development in China**

The People's Republic of China was officially founded in 1949. Tourism has not considered as an appropriate form of economic activity until 1978 and prior to this both domestic and international tourism was almost non-existent (Chow, 1988; Hudman and Hawkins, 1989). Between 1954 and 1978 there were very strict entry requirements and only about 125,000 foreign visitors came to China (Richter, 1989). Tourism activity was held tightly in the hands of the state machinery, reflecting a pattern common to other communist states (Sofield and Li, 1998). The limited foreign visits that did exist were sanctioned on the grounds that the successes of communism could be paraded before a select international audience. Tours focused on the material achievements of communism, such as factories, communes, and revolutionary peasant and worker communities (Huang, 2004).

Since the "Open Door Policy" was implemented in 1978, China has developed its market economy. Politically, tourism is justified in socialist terms as an acceptable industry because it would advance economic reforms and the policy of opening to the outside world, further friendship and mutual understanding between the Chinese proletariat and other people of the world, and contribute to world peace (Sofield and Li, 1998). An explanation for the contemporary growth of tourism in China may be found in the particular path that the China Communist Party (CCP) has adopted since 1978 to move from a socialist state, where all economic activity was firmly and centrally controlled by the government, to a more open market economy (Sofield and Li, 2011). As leader, Deng Xiaoping first raised the idea of enterprise reform in 1975, advocating a corporate management approach. This entails the following: (1) the separation of tourism enterprises from administrative bodies where autonomy on personnel, finance and operational matters is granted to a

certain degree from higher administration; (2) managers are granted more autonomy, and release from the control of the Party secretary; and (3) rewarding staff based on their performance (Han, 1994). It has progressed along this path with characteristics that may be considered unique to China: a gradualist transformation to a market economy rather than a transition (Hall, 2008).

The impact of these tourism policies was significant. By 1985, tourism receipts increased from US\$ 262.9 million in 1978 to US\$ 1.25 billion, more than a threefold increase (taking currency inflation into account). The share of tourism receipts in total foreign exchange earnings from exports increased from 2.7% in 1978 to 4.6% in 1985 and the foreign exchange growth rate from tourism also increased faster than those of other exports (CNTA, 1985-1998; State Statistical Bureau of the People's Republic of China, 1995). In December 1985 the government incorporated tourism in the Seventh Five-year National Plan as a key component for economic and social development. Tourism was declared to be a comprehensive economic activity with the direct purpose of earning foreign exchange capital for China's modernisation (Han, 1994a; Zhang, 1995). This event was a significant benchmark for tourism development in China as the attitude of central government toward the nature of tourism saw a change in emphasis, from both politics and economics to economics over politics (Zhang et al., 1999; Huang, 2004).

The Chinese tourism economy began to be more formalised from the early 1990s (Wen, 1997). With the significant improvement in China's international position and Chinese people's living standards, tourism has become a core industry in social economic development (Wen and Tisdell, 2001). The main emphasis was therefore on active exploitation and full utilization of tourism as a resource (Lew et al., 2003). In part this entailed the expedition of moves towards greater international cooperation and communication (Huibin, Marzuki, Rofe and Razak, 2012). In this period the tourism industry started to become a pillar industry in many provinces, cities and autonomous regions (Lew et al., 2003). In the spring of 1992, Deng Xiaoping announced the speeding-up and intensification of economic reforms during his tour of

Guangdong province. During the 14<sup>th</sup> Communist Party Congress in October 1992, a milestone resolution was adopted with the policy of establishing a “market economy under socialism” which allowed the market itself to determine resource allocation within the guidelines of socialism (Liu, 1993). This was extremely significant; China would open its door wider than before, and its economy would be further geared to the market system. In 1996, visitor arrivals totalled 51.1 million, a 27-fold increase from 1.8 million in 1978. In terms of economic contribution, tourism receipts increased from US\$ 2.6 billion in 1978 to US\$ 10.2 billion in 1997 (CNTA, 1985-1998). Total receipts for tourism earning in terms of foreign exchange from exports increased from 2.7% in 1978 to 6.8% in 1996 (CNTA, 1985-1998; State Statistical Bureau of the People's Republic of China).

The Chinese tourism economy continued to develop, and entered a distinct new phase after the turn of the 21<sup>st</sup> century (Yong, 2006). During the new historical period of building an overall well-to-do society and constructing the socialist concord society, the overall notion of tourism is debated; the main outcome being an intention to protect tourism resources and environments, promote tradition and culture while at the same time develop and expand the tourist economy (Bramwell, 2012). China joined the World Trade Organisation in November 2001, and this provided other opportunities for Chinese tourism development. Zhang and Lew (2002) recognised four key factors in this respect:

- Fewer formalities and barriers for cross-border travellers
- Reductions in traveling costs as a result of global competition
- Removal of some protectionist policies
- Upgrade of communication, financial and information facilities

According to a forecast by the UNWTO, by the end of 2020 China will be the top international destination country in the world with about 137 million annual international arrivals (Zhang, Pine and Zhang, 2000). According to the latest report from UNWTO (2013), China has become the largest spender in international tourism globally in 2012. In order to achieve the goal of becoming a great tourism country, the central government also issued a

series of rules and laws (Lew et al., 2003). In 2001, the state council issued a report into expediting the development of the tourism industry. The key message of this report was to emphasise the importance of domestic tourism, and it defines the guiding principles for future tourism development. In 2005, the number of domestic visitors totalled 1.212 billion – an increase of 48.1 per cent from 1995. The total income of domestic tourism amounted to 88.1 billion US\$, an increase of 74 per cent on figures from 1995 (CNTA, 2006). Domestic tourists totals 302 million and domestic tourism income reached 20.7 billion US\$ during three “Golden Weeks” of the Chinese Spring Festival, Labour Day and National Day (CNTA, 2006). In December of 2009, the state council formulated the principle of speeding up the development of tourism industry and forecasted that China’s tourism market would expand to 3.3 billion domestic visitors, 83 million inbound visitors and 90 million international visitors by 2015 (CNTA, 2010). More recently, according to the National Bureau of Statistics of China (2011), China received 2.1 billion domestic visitors in 2010, a yearly increase of 10.6%. Total domestic tourism revenue increased by 23.5% to 1258 billion Yuan, and the number of inbound visitor increased by 5.8% to 133.76 million (CNTA, 2012).

### **3.2.2 The role of government in Chinese tourism development**

The tourism sector has become increasingly irreplaceable due to its vast benefits to the economic development of China (Wen, 1997; Sofied and Li, 1998; Zhang et al., 1999; Zhang et al., 2000; Huang and Hsu, 2008). Since the “Open Door” policy implementation by Deng Xiaoping in 1978, the vast Chinese tourism resources of scenic landscapes, historical sites and ancient cultural traditions have been exploited and developed fully (Wen, 1997). The biggest contribution has been being credited to the Chinese government, because most aspects of tourism development have been addressed through a variety of policy initiatives and measures (Wen, 1997; Sofied and Li, 1998; Zhang et al., 1998).

The role of government in tourism development has evolved from a primarily economic focus, to now include broader considerations of economic and socio-cultural impacts, political responsibilities, power relationships, and

environmental sensitivity (Kerr, Barron and Wood 2001; Telfer 2002; Xie 2003). Indeed, Hall (1994) pointed out that the government's role in tourism is an outcome of its tourism policy formulation and implementation. The strong government intervention has been seen as a crucial stimulator in the success of Chinese tourism development (Zeng and Ryan, 2012). In order to encourage tourism development and quickly increase its contribution to the national economy, the Chinese Government has adopted a 'Government-led Tourism Development Strategy' for national tourism development. This shows that the Chinese government has played a dominant role in organising, coordinating and promoting the tourism industry (Kuang, 2001, Zhang, 2003; Jackson, 2006; Lai et al., 2006; Xiao, 2006). Chinese governments have been playing multiple important roles at different levels (Zeng and Ryan, 2012). The detailed discussion regards the roles and functions of Chinese DMOs at different levels are presented in the following sections.

### **3.2.3 Privatisation in Chinese tourism industry**

When the Communist Party (henceforth 'the Party') won the civil war and founded the PRC in 1949, it began the socialist transformation of private enterprises. Between 1952 and 1977 private enterprises were completely banned in China, and although they were accorded a measure of political tolerance when they resurfaced in the early 1980s they were not allowed to hire more than eight employees (Conner, 1991). This rule remained in place for ten years, after which time the National People's Congress authorised the establishment of private enterprises with more than eight employees (Conner, 1991). In this period, state-owned and collectively owned enterprises represented 77.6% and 22.4%, respectively, of China's then exclusively public ownership economy (Sofield and Li, 2011).

Since Deng Xiaoping's Southern Tour of 1992, private business has advanced in leaps and bounds. Small and medium sized enterprises and non-public enterprises have become China's main job creators (Garnaut, Song, Yao and Wang, 2001). China's private sector grew from nothing in the late 1970s to providing nearly 50% of the total employment and 60% of the industrial output by 2004 (He, 2009). By 2002, the share in gross industrial

output by state-owned and state-holding industries have decreased, with the state-run enterprises themselves now accounting for 46% of China's industrial output (Sofield and Li, 2011). Since its revival, the growth rate of the private sector has far outpaced that of the public sector (He, 2009). In March 2004 one of the most significant changes, since 1978, in the development of the private sector occurred when the National People's Congress approved a constitutional amendment to protect private property rights, marking the first time in PRC history that the legal status of private property was officially endorsed by the Party (Sofield and Li, 2011).

As the transformation proceeded, the Chinese government reduced the number of state-owned enterprises (SOEs) mainly through amalgamation rather than closure, and instead of privatisation it embraced the concept of corporatisation. By 2008, as GNP expanded, the SOEs' share decreased to just over 40% (Sofield and Li, 2011). Many surviving large- and medium-sized enterprises were converted into joint-stock companies with public ownership spread across a variety of state institutions and enterprises. In this way, majority 'state' ownership was maintained, even though the central government had little or no direct role in running the company (World Bank, 2009).

Despite the speed with which the private sector develops after 1978, private firms had suffered both political and social discrimination. Even in the late 1990s, private firms were still considered to be an inferior form of ownership for ideological reasons, and despite the existence of formal legislation that permitted private enterprise; the overall political environment was antagonistic toward the private sector (Zhao, Wang and Tian, 2010). Private entrepreneurs had to deal with hostility and social prejudice on the part of cadres and the public in general, who regard them to be dubious, ignoble and even despicable. Challenges to the legitimacy of private enterprise also came from various political movements, such as the periodic campaigns against spiritual pollution in 1983 and 1984, against bourgeois liberalisation in 1987, and other movements that demanded a crackdown on private enterprise on the basis of

“rectifying the market” or “attacking speculation” (Li, Meng, Wang and Zhou, 2008).

Private firms in China not only experience political and social discrimination, but must also deal with an unfavourable economic environment. The government still controls most of the resources, and state-owned enterprises still enjoy preferential status in obtaining bank loans and other key inputs (Che, 2002; Brandt and Li, 2003). Private enterprises are subject to arbitrary harassment by government cadres (Pearson, 1997), and commercial and property laws are either non-existent or unenforceable (McMillan, 1995). Even today, despite the constitutional amendment in 2004 protecting private property rights, the Party is struggling to create fair market conditions such that private firms can compete with firms with different forms of ownership. There is reason to believe that it will be a long time before private firms acquire equal status with other types of firms, such as state-owned enterprises and foreign-funded firms (Li et al., 2008).

With regards to the privatisation outcomes in Chinese tourism industry, the conclusion may be drawn that the private sector is very small (Zhang et al., 1999). Since 1999, this situation was changed when all the state-owned enterprises were removed from direct government control. By 1998, international tourism earned US\$14.1 billion of foreign exchange, a 53-fold increase from US\$262.9 million in 1978 (CNTA, 1998; 1999). By 1999 China had 7035 hotels and 7236 travel agencies, and tourism directly employed 1.9 million people (CNTA, 2000). Nowadays, there are several ownership structures in the Chinese tourism industry. State ownership hotel represents state-owned at all levels, comprising 5,061 hotels, or 57 percent of the country's 2002 hotel inventory (Yu and Gu, 2005). Non-government, collective enterprises owned 893 hotels, or 10 percent of the total hotel count (Yu and Gu, 2005). Foreign investors accounted for the development of 279 hotels (just more than 3 percent); and investors from Hong Kong, Macau, and Taiwan owned 407 hotels (4.6 percent) (Yu and Gu, 2005). In addition, 2,240 hotels were owned by Chinese partnerships, private owners, and strategic alliances (just more than 25 percent) (Yu and Gu, 2005). According to the CNTA (2009) there were 35 foreign investments in travel agencies at April

2008, an increase of 30% over the previous year. The detailed information is shown in the Table 3.1 below:

**Table 3.1 The overview of foreign investment travel agency in China (by April 2008)**

Mode of entrance	Exclusively foreign-founded (16); foreign funded holding (11); shares held by Chinese party (8)
Regional distribution	Beijing (18); Shanghai (5); Guangzhou (6); Shenzhen (2); Kunming (1); Tianjin (1); Changsha (1); Haikou (1)
Country of origin	Hong Kong (12); Japan (8); USA (3); Switzerland (2); Singapore (2); France (1); UK (2); Germany (1); Australia (1) Canada (1); South Korea (1); Malaysia (1)
Name of foreign investment	e.g. Tourisisk Union International group; <u>American Express</u> ; Miki travel ltd; Kuoni group; Carlson Wagonlit Travel; Japan Airlines ...

(Source: CNTA, 2009)

One of the best known examples of foreign investment in the hospitality industry is that by the InterContinental Hotels Group (IHG). IHG is the company behind the Crown Plaza and Holiday Inn brands, and these brands have a large share of the international hotel market in China. More than a quarter of IHG's hotels are in China, and 70 per cent of these are already under construction (Thomas, 2012). IHG believes that they will achieve their goal of the Chinese hotel market overtaking the United States market, and by 2039 it will become twice the size of the current U.S. market (Higgins, 2011).

### **3.2.4 Challenges in the current Chinese tourism industry**

China has successfully transformed their position in the worldwide tourism industry over the past 30 years. Nowadays, China is one of most popular and advanced destinations in the world (Yan, 2013). The huge demands within the Chinese tourism industry have created increased opportunities, but they have also brought their own challenges. The impact of tourism growth in China has been enormous in terms of its economy, its society, its culture and national identity, and its environment (Sofield and Li, 2011). Visitor statistics are not the only measures to gauge the level of tourism development. Chinese tourism is in its relative infancy, and in order to sustain positive growth it is necessary to enhance specialty tourism management in order to increase effectiveness and create innovative and attractive tourist products. According to a report by The Pacific Asia Travel Association (PATA) (2008), there are



seven challenges facing China in relation to the development of tourism destinations:

(1) Create a distinctive tourism product

One of the most important factors in attracting tourists is the production of a distinct offering. Product similarity has become a serious problem in the development of the current tourism market. Peters and Pikkemaat (2005) discussed that the importance of using new product development to create additional value for attracting customers' attentions as well as enhancing the sustainable growth of the organisation. Indeed, innovation is one of the most important strategies to assure the healthy development for every industry (Dubiel and Ernst, 2012; Kuester and Hildesheim, 2012), and the tourism sector is not an exception to this need (Peters and Pikkemaat, 2005). According to Peters and Pikkemaat (2005), the tourism industry is one where the market is saturated; and that their clients have a large number of products and services from which to make their final purchase decisions. In this case, China needs to develop and promote destination offerings by taking into account consumer behaviour.

(2) Establish tourism product branding

Destination branding aims to attract visitors' attention (Pike, 2009; Hanna and Rowley, 2011). As Pike and Bianchi (2013) stated, all marketing communications aims to reinforce brand identity, and brand image is finally achieved through branding positioning. Branding image is central issue in the branding process, as it is a connection between destination branding and the consumers' choice of destinations (Blain et al., 2005; Qu et al., 2011). As a new brand destination, China is a new star in the world. According to the Country Brand Index (2007), China is expected to have a top three ranking in relation to global branding destination in 2012. Previous worldwide experience suggests that the next necessary investment should be in brand construction and development.

(3) Enhance tourism management

According to the report of PATA (2008), there were 18,000 travel agencies and 14,328 star-rated hotels in China by 2007. These figures also told the fact

that about 37 million people worked solely in the tourism industry, and about 7.5 million people worked for tourism industry indirectly (PATA, 2008). It is a significant challenge for Chinese DMOs to sustain growth in the market while at the same time retaining a sense of order and control. It is also a clue that Chinese tourism industry is urgent to be developed with a modern and scientific management. In fact, the pressure of achieving high levels of customer satisfaction in China means that there is a need to restructure and develop the governance of destinations (Dai and Li, 2012). Xiao (2013) also highlighted the necessity of Chinese destination marketing and management being reconsidered and refined to take account of the complexity of governance in China tourism; that complexity had been expressed in various forms of outsourcing, privatisation, and concession of public (tourism) services, all of which add to the dynamics of the domestic tourism industry.

#### (4) Define tourism market demand

Existing marketing studies are focused on the importance of understanding consumer behaviour from the angle of customer motivations (Goodall, 1988; Oppermann, 2000; McGuiggan, 2000). Scholars suggest that tourist experiences can be improved by meeting their wants and needs. If motivation is a process of starting, directing, and maintaining behaviour, a preference serves as an intermediary step between motives and behaviour (Cai, Feng and Breiter, 2004). Tourist preference is thus the act of selecting from among a set of choices as influenced by one's motivations (Cai, Feng and Breiter, 2004). Tourist preference is influenced by many personal and environmental factors such as age, income, weather and price. To achieve an effective marketing promotion strategy it is necessary to recognise how these aspects of demand are differentiated (PATA, 2008). Nowadays, the customer-driven marketing concept increases the challenge of defining tourism market demand for long-term profitability within destination.

#### (5) Improve tourism supply

Several studies on supply chains in tourism and emphasise the importance of the supply side of the tourism industry (UNWTO, 1994; Sinclair and Stabler, 1997; Buhalis and Laws, 2001). Tourism supply can normally increase

tourism demand; product innovation, high quality relevant infrastructure and convenient transport, and attractive price can all influence tourism demand (PATA, 2008). Xiao and Smith (2006) and Xiao (2013) also argued that it was necessary for Chinese destination marketers, operator managers, policy-makers, and researchers to innovate in order to increase market supply.

#### (6) Long term marketing promotion strategy

Tourism industry is welcomed due to its large contribution to local economic development (Breidenhann and Wickens, 2004; Giaoutzi and Nijkamp, 2006; Lee and Chang, 2008). However, tourism promotion efforts may be plagued by poor support from key local organisations, such as economic development groups and local policymakers (Hall and Jenkins, 1995; Jenkins et al., 1998). On the other hand, from the point of view of long term development, the tourism industry is supposed to fulfil a sustainable development strategy that can meet the varying interests and goals of different stakeholders, and then draw them into one tourism development strategy (UNWTO, 1993). In this case, the support of government and community is crucial to determine the success of long-term marketing promotion strategy in tourism industry. The need for this support is a challenge that cannot be avoided by any DMOs (PATA, 2008).

#### (7) Green tourism strategy

The tourism industry cannot avoid impacting upon the environment. Furthermore, China is the world's second largest energy producer and consumer, and it is the world's second largest emitter of carbon dioxide (Zhao, 2010). For more than 50 years the communist ethos of modernization has been embedded as a priority over environmental considerations, with the tension between the two exacerbated by pressure arising from China's huge population and the perceived need by the communist regime to raise living standards as a key factor in the legitimacy of its governance (Grano, 2008). The old mentality of "pollute first, control later" has been the mantra for pushing ahead with modernisation. These problems with pollution "have generated high pressures on the environment, with consequent damage to health and natural resources. Air pollution in some Chinese cities reaches

levels that are among the worst in the world, energy intensity is about 20% higher than the the Organisation for Economic Co-operation and Development (OECD) average, and about a third of the watercourses are severely polluted. Challenges are waste management, desertification, and nature and biodiversity protection remain” (OECD, 2006:2).

In the past decade, China’s government has begun to recognise the need to achieve a suitable balance between its model of development and environmental concerns; and to grapple with issues of sustainability in all areas e.g. energy, transport, manufacturing, mining, urban development, etc. In order to reduce tourism’s negative impact, many researchers (Hedlund, Bengtsson and Nordvall, 2012; Gao and Jia, 2012; Law, McGrath, DeLacy, Fuchs, Ricci and Cantoni, 2012) advocate ‘green tourism’, and its philosophy that is related to an overall low carbon economy. The core idea is to reduce carbon emissions and stop runaway climate change. More recently, the concept of a low carbon strategy has been widely accepted and discussed by many researchers in the field of tourism (Huang, 2009; Cai and Wang, 2010; Tang, Shi and Liu, 2011). Green tourism is not only considered as a strategy to aid the achieving of sustainable development, but also provides new opportunities in the burgeoning ecotourism sector.

With regard to the Chinese tourism industry, the China state council had carried out the ‘Principle of Speeding up the Development of Tourism Industry’ since 2009 and emphasised the necessity of stepping up efforts to conserve energy and reduce consumption, as well as promoting low carbon travel behaviours (Gao, 2011). The director of the Tourism Research Centre in the Chinese Academy of Social Sciences, Mr. Guangrui Zhang, suggested that low carbon tourism should become one of the most important sustainable strategies in China’s new economic generation (PATA, 2012). That strategy included the transformation of luxury travel behaviour, and advocates using public transport and low carbon or non-carbon vehicles such as hybrid cars and bicycles. Mr. Zhang emphasised that the high-end tourism experience was not a luxury tourism experience. Jiansheng Wang, the chairman of the Hainan Tourism Development Research Association, explained that it was a

misunderstanding that low carbon tourism lowers the quality of tourism. Compared with a traditional tourism experience, the most valuable travel experience was to integrate, protect and experience nature (PATA, 2012).

Eco-scenic China was set up in June 2010 in order to promote the development of low carbon tourism. Their activity is hosted by the China Tourism Association (CTA) and All-China Environment Federation (ACEF). The China Tourism Association (CTA) is run by the China National Tourism Authority, and is a general tourism industry association with an independent corporate capacity (ACEF, 2012). The CTA is comprised of societies, enterprises and government institutions that are related to the tourism industry, and is the first such industry-wide organization approved by the state council. The other partner, All-China Environment Federation is run by the State Environmental Protection Departments, and is a national non-profit social organisation founded with a remit to provide environmental protection of persons, enterprises and institutions (ACEF, 2012). The purpose of this alliance is to implement a strategy of sustainable tourism development and to also achieve national environmental and developmental objectives. As a coalition, Eco-scenic China becomes the bridge between government and society, and promotes the development of China's environmental enterprise (ACEF, 2012).

The committee of Eco-scenic China Travel issues several criteria for categorising low carbon tourism experimental areas. These criteria include three main categories; ecological resources, low carbon behaviour and operational management (CEN, 2010). The subjects of the committee cover destinations, landscapes, holiday villages, nature reserves, ecological travel areas, special tourism towns, theme parks, forest parks and all related travel and tourism organisations (CEN, 2010). According to official information from the Cultural Ecotourism website (2010), there were 34 low carbon tourism experimental areas so far. The purpose of establishing experimental areas is to actively respond to the national low carbon economic strategy, and to develop some successful cases that meet low carbon tourism requirements. Eco-scenic China aims to promote low carbon tourism experiences and lead

the Chinese tourism industry along a sustainable road by highlighting landmark low carbon tourism areas (CEN, 2010).

### **3.3 The development of Chinese DMOs**

#### **3.3.1 The history of Chinese DMOs development**

The most significant changes in the development of Chinese DMOs has taken place since 1978. At the start of the administration of tourism in China, a policy was introduced which called for the combination of both government and business functions. The Bureaus of Travel and Tourism (BTT) managed travel agencies nationwide, while China International Travel Services (CITS) operated travel services under CITS only (Zhang et al, 1999). However, BTT was indirectly involved in operating travel services; this was because the head or deputy head of BTT was also the general manager of CITS. The mixture of government and business/enterprise functions resulted in its inability to perform the two-functions effectively.

Before 1978, the Bureaus of Travel and Tourism (BTT) were under the jurisdiction of the Ministry of Foreign Affairs rather than the State Council (also called the Central People's Government), the supreme executive sector in the Chinese constitution (Zhang et al., 1999). In 1978, the status of the BTT was upgraded by the State Council, and it became the State General Administration of Travel and Tourism (SGATT); the SGATT then came directly under the jurisdiction of the State Council, and was the sole government body responsible for tourism administration (Zhang et al., 1999). Meanwhile, many provinces, municipalities and cities either established or restored their own tourism bureaus, for instance Guangdong Province, Beijing and Shanghai Municipalities. Later, in 1982, the State Council separated China International Travel Services' (CITS) enterprise functions from the SGATT (He, 1992). Tourism administration became a government function that would no longer be involved in enterprise activities. At the same time, the SGATT was renamed the China National Tourism Administration (CNTA). Prior to 1978, civil aviation, travel agencies and hotels were funded and operated by the central government. However in 1984 the State Council decided that central government, localities, individual government departments, collectives and

even individuals could invest in and operate tourism development projects (Han, 1994a).

The CNTA is the top administrative tourism organisation in China, and works at the national level; it reports directly to the State Council (China's highest executive organisation of state power) and is responsible for tourism policy-making, development, promotion and regulation (CNTA, 2013). At the local level, a DMO is normally named as a Tourism Administrative Organisation (TAO) (Wang and Ap, 2013) in China. The TAOs may also be referred to as 'tourism administrations' or 'tourism organisations' and are adopted by the Chinese Government to guide, regulate and boost tourism development (Pearce, 1992). The TAOs are established by local governments. They directly report to local municipal government and are responsible for the local development and public administration of tourism (Wang and Ap, 2013). Local government officials such as the mayor or vice mayors are the superiors of the local TAO officials. Local TAOs play a dual role in that they are executive organisations of the CNTA with responsibility to execute the CNTA policies and regulations on behalf of the Central Government, and at the same time they exercise autonomy in tourism policy formulation and implementation of local tourism matters (Wang and Ap, 2013).

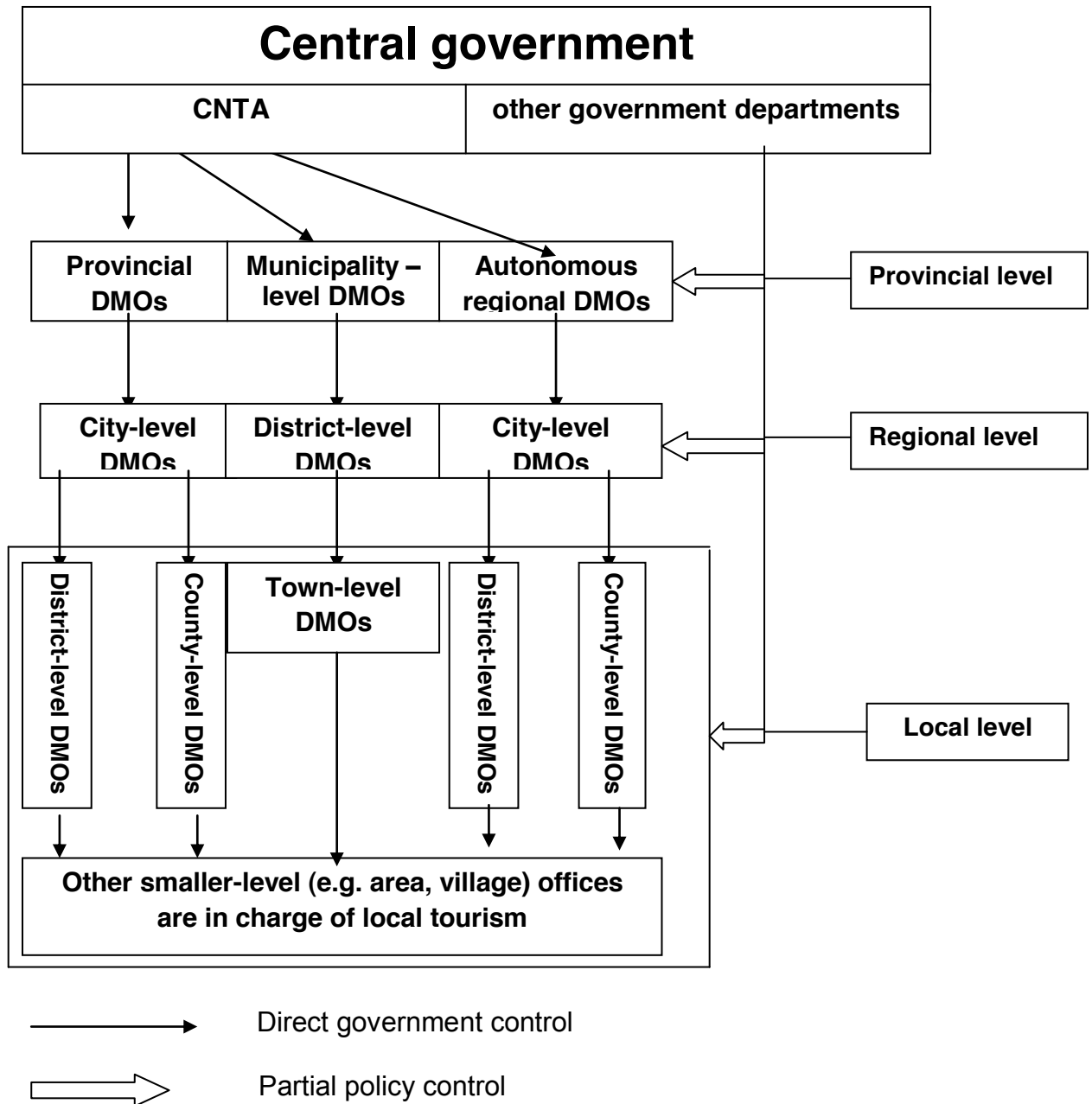
In China, every administrative level or region has its own governmental departments in charge of tourism development; Figure 3.1 has been developed by the author to show this complex administrative structure. There are 22 provincial-level tourism bureaus, 5 autonomous region tourism bureaus and 4 municipalities directly under the control of the CNTA. Actually, there are 33 provincial level administrative units or divisions in total, with the exception of the Hong Kong and Macau Special Administrative Regions (Grunewald, 2010). Below the provincial level bureaus there are 10 Secondary provincial-level cities, 5 Cities with separate planning status and 281 prefecture-level cities; their tourism bureaus fall into the class of city-level DMOs. There are also 31 prefecture level cities under the 5 autonomous regional tourism bureaus; they also belong to city-level DMOs. In contrast with China's provinces, autonomous regions have independent prefectures and cultural

regions. Thus there are 21 regional-level DMOs under the autonomous region tourism bureaus. Moreover, there are 2855 local-level DMOs in China. They can be divided into tourism bureaus or tourism offices depending on their level; for example, district-level DMOs, country-level city DMOs and county-level DMOs (National Bureau of Statistic of China, 2013).

Due to the historical administrative arrangements, heritage tourism resources in China are often managed by several separate government agencies instead of the relevant DMO. In addition, due to the multi-sectoral and fragmented nature of the tourism industry, implementation of some tourism policies needs the assistance of other government organisations (Wang and Ap, 2013). According to Zhou et al (2005), there are at least 12 departments that manage such attractions in China; these include the Ministry of Construction; Ministry of Forestry; State Environmental Protection Administration of China; Ministry of Culture; the Religion Ministry; Ministry of Land and Resources; State Bureau of Oceanic Administration; Ministry of Communications; Ministry of Water Resources; Tourism Administration; and Chinese Academy of Sciences. Accordingly, effective implementation of tourism policy cannot be accomplished without the co-operation of these “other” related organisations (Lo, Yip, and Cheung, 2000).



**Figure 3.1 Chinese government involvement structures in tourism industry**



(Source: author's own data)

### 3.3.2 The nature of Chinese DMOs

The administration of tourism in China involves many different agents of control, for example the state, governmental tourism bureaus, SOEs and private tourism business (Li, 2004). Loosely speaking, DMOs could be divided into two groups, one is public sector and the other one is private sector, and within each sector, there are several different components. Generally, almost

all Chinese DMOs still operate under the public sector. As argued above, China has vast natural and cultural tourism resources. In general, these resources can be divided into two main groups of attractions; heritage resources, and exploration resources. Heritage resources include world heritage sites, famous scenery, national parks, nature reserves, historical relics and geological parks. Exploration-oriented resources include theme parks and holiday villages. Because almost all heritage resources belong to the country they are supposed to be under the charge of the national government, therefore a great proportion of DMOs are also situated in the public sector (Zhang, Liu and Song, 2010). Taking into account the real situation of management structures in China, the public sector encompasses government office and public institution. In reality many administrative sectors in China operate as a public institution rather than only as a government office, and the tourism industry is not an exception (Li and Dong, 2010).

A public institution is the outcome of the State Commission for Public Sector Reform (SCPSR) (Zhou, 2007). This Party organisation approves re-organisation plans for all central government agencies, provincial governments and central-level service units that lay down their organisation structure, functions and number of officially approved positions (Burns, 2003). The establishment of public institutions within this sector can be seen as a result of downsizing and the problem of determining the number of officially approved positions in an organisation, and then actually carrying out the reductions in staff numbers.

Since 1949 the CPP established specialized central agencies to manage positions in the system, sometimes within the State Council and sometimes within the Party (Qian, 1999). Central policy for determining the structure of local government has changed in recent years. Up until 1998, the SCPSR required provincial and local governments to establish a specific number of agencies. Generally, provinces and first and second tier cities were required to establish the most complete administrative machinery. Prefectures, counties and towns/townships were required to establish relatively fewer government offices (Zhou, 2007). The main objective for these public

institutions is to be operated effectively in order to provide a public service that people have equal access to (Li and Dong, 2010). The Communist Party's goal is to maintain as many official positions as possible and therefore preserve political patronage and social stability; however this conflicts with the need to curb administrative expenses and to cut government deficits (Burns, 2003).

Due to the influence of decentralisation in China after the late 1980s, local authorities and enterprises were able to operate more independently with regard to issues such as investment, infrastructure construction, and the plural formats of tourism development in different regions (Xu, 1999). Many of the world's socialist and communist economies have recently started implementing economic reform programmes, and the reduction in size of the public sector through privatization has become an important part of such programmes (Omran, 2004). China's State Owned Enterprises (SOEs) were wholly owned by the state until early 1990s, after which time the central government decided to list some large state firms and sell off small state enterprises (Lin et al., 2001). The growth of the non-state sectors, together with reform measures to downsize and restructure SOEs, mean that the state sector has been shrinking and thus it does not command the same importance in the economy as it did pre-reforms. Nevertheless, SOEs still contribute a significant share of the economy's output (Ralston, 2006).

More recently, measurable economic returns have attracted private sector investment into China's tourism industry (Ma, Ryan and Bao, 2009). Privatisation has been a major political and economic phenomenon over the past few decades (Liu and Garino, 2001). According to XinHua News (2012) the CNTA statistics indicated that, currently, private sector capital had exceeded government and SOEs investment in China's tourism industry and was now becoming one of the main bodies for investment in the industry. In 2011, private capital provided 39% of the total that was invested in tourism development in China (XinHua News, 2012). An increasing number of Chinese national parks have transferred their operation rights to authorized private corporations (Wang and Bai, 2002). Ma et al (2009) considered that

this phenomenon was based upon profit motives, and it indicates that there is a strong need for clear economic objectives. Furthermore, many exploration-oriented tourism resources, for example holiday villages, are formed mainly of private businesses, and these DMOs may be either in the public-private sector or purely in the private sector (Zhang et al., 2010).

Private business has been gradually permeating the economy in China (Ralston, Terpstra-Tong, Terpstra, Wang and Egri, 2006). In 1995, the Chinese state adopted the “grasp the large and let go the small” SOEs reform policy, which resulted in some small SOEs being sold off to private individuals. Some were formerly rented-out collectives, where private entrepreneurs have been allowed to operate them on leasing terms, often with the option of making the collective private over time (Ralston et al 2006). Others were township and village enterprises (TVEs) or small SOEs (Ralston et al., 2006). It should be noted that people in private business were denied party membership until 2002 (Ralston et al., 2006). In March, 2004, private assets and capital were finally legalized and protected by the country’s constitution (IFC, 2000: 10-19; Wang, 2004). Notwithstanding the less-than-favourable institutional environment, the private sector is considered to be the most dynamic component of China’s economy, as evidenced by its high growth in productivity. Hartley and Parker (1991) argued that privatised firms were more efficient than SOEs, because profit motivation was absent for public firms, as they concentrated, mainly, on social objectives. In this context, Vickers and Yarrow (1991) suggested that competition could greatly improve monitoring possibilities and hence increase incentives for efficient production.

Nowadays DMOs in China’s tourism industry are no longer only of a public nature, and various types of ownerships have spread and developed rapidly in the tourism industry. In order to improve employee incentives and production efficiency, increasing numbers of DMOs are being run on a commercial basis. However central government policies are still powerful influences in the shaping of how local DMOs operate.

### **3.3.3 The function of Chinese DMOs**

It is important to discuss the function of Chinese DMOs in relation to the administrative levels they operate at. Geographers have produced considerable amount of research dealing with city size and distribution, as well as the changing definitions of cities (Ma and Cui 1987; Fan 1999; Lin 2002; Zhou and Ma 2003). Scale theory has emerged, from a substantial literature in political economic geography, to explain specific scales of social activity, from local to global – village, city, province, region, nation-state, supra-state region and world scales (Cartier, 2004). Scale theory is also closely studied under the theory of political geography. Political geography is concerned with the issue of spatial administrative hierarchy, which is associated with political power. Chinese territorial administration has largely revolved around a two-level system, 'centre' and 'local', in which the centre is privileged and the meaning of 'local' can encompass multiple scale positions from town to provincial level (Cartier, 2004). Specifically, China's territorial administrative hierarchy is also the state's transhistorical administrative institution, from the national capital to provinces, cities, counties and towns in general (Chan and Zhao, 2002).

Political boundary inscription, formation of administrative territories and establishment of government offices at each level of administrative territory have been fundamental elements of state practice in imperial and contemporary China (Chung and Lam, 2004). Together, these state practices make territorial administrative rank or level especially important (Ma, 2005). The state also periodically changes the criteria for defining administrative unites, especially cities, in order to promote particular political and economic goals (Cartier, 2004).

With regards to the Chinese tourism industry, at the national level, the CNTA is the central governmental department in charge of tourism, and is the biggest and most powerful department in China's tourism industry, having overall control of the whole industry. The CNTA is mainly responsible for the formulation of specific tourism policies, and these specific tourism policies usually take the form of an ordinance or regulation (Zhang et al., 1999; Chong,

2000; Wang and Ap, 2013). The CNTA directs lower levels DMOs, and shapes the operations of tourism enterprises (Zhang, 2003). Local government and other administrative organisations have scope to influence governance processes (Yan and Bramwell, 2008). Thus, at the local level (i.e. city and county), the local municipal government is mainly responsible for the formulation of tourism policies, and the local DMOs have autonomy to make proposals and provide suggestions to the local municipal government for tourism policy-making (Wang and Ap, 2013). Hall (1996) observed that tourism planning normally occurs within the context of local government and community interest groups, and local governments commonly seek just as many benefits as the national government does. Other levels of DMOs are in charge of regional or local tourism planning under the control of the CNTA in China. Policies and plans formulated by the lower level DMOs have to be approved by the national and higher level DMOs (Yang, Wall and Smith, 2008). In other words, state policies are vigorously enforced by regional/local governments which hold a positive attitude towards the tourism industry and play a critical role in promoting and developing local tourism development (Yang et al., 2008). Several scholars (Cao, 2002; Cao and Ding, 2003; Guo, 2003b) argue that national level DMOs only take responsibilities for macro management, focusing on financial and policy supports, and capacity building; and on the other hand, local DMOs are more concerned with the real operations of tourism businesses.

In order to understand the general functions of Chinese DMOs, the example of the CNTA has been widely discussed (Zhang et al., 1999; Tian et al., 2011) and the main functions of it can also be representative of the main roles played by Chinese DMOs in general. The main functions of Chinese DMOs are summarised below, and are based on various studies (Zhang et al., 1999; Huang, 2004; Wang, 2007; Tian et al., 2011; CNTA, 2013).

Operator: involving ownership and provision of the infrastructure for tourism development and operation of tourism business activities. In the CNTA this means they: “Supervise the operation of tourist economy and take charge of tourist statistics and release of trade information. Normalise the order of the

tourist market, supervise and manage the service quality and maintain legal rights and interests of tourism consumers and operators” (CNTA, 2013).

The necessity of the role of operator for DMOs has been discussed by Cooper et al (2008) in that the ability of tourists to express their demands depends upon their awareness of the facilities available, particularly attractions, which are a key component of leisure tourism. On the other hand, the quality of product and service is one of the challengeable tasks that need to be fulfilled by DMOs (Shu and Crompton, 2003; Huang, 2004). The quality of the product and service directly determines consumer satisfaction, and thus influences future repeat consumer behaviour (Baker and Crompton, 2000).

Regulator: formulating and implementing regulations to control tourism business. In the CNTA this means they: “Plan and coordinate the development of the tourism industry, prepare development policies, programs and standards, draft up relevant laws and regulations and supervise the implementation, as well as guide regional tourism” (CNTA, 2013).

Policy establishment and implementation is one of the most important and necessary functions for any DMO (Zhang et al., 1999; Huang, 2004; Wang; 2007). It has been suggested by Pike (2004) that one of the most basic responsibilities is to normalise the order of the market. It is over 30 years since the Open Door Policy was implemented in China. With the rapid development of China’s tourism industry, the construction and refining of relevant legislation is never-ending (Wang, 2007). Generally speaking, it is possible to identify three phases of tourism legislation development in China: the first phase is 1978-1989, which relates to the early stages of its start-up; the second phase is 1990-2000, which is a rapid development stage, featuring an increased number of tourism laws and regulations; the third phase is 2001 to present, which has thus far been a consolidation stage in order to adjust and systemize relevant laws and regulations (Lew, 2003). According to statistics from the CNTA (2009), at the end of 2008 there were 32 laws and regulations regarding the tourism industry in China, with almost all of them relating to civil and business law, economic law and administrative law. The

State Council made 9 administrative regulations that had a direct and significant impact upon the tourism industry. Furthermore, the National Tourism Administration issued 29 department rules and regulations (CNTA, 2009).

Promoter: spending money on the promotion of tourism in the domestic and international market. In the CNTA this means DMOs must: “Establish and organise the implementation of market development strategies for domestic tourist, inbound tourism and outbound tourism, organise external publicity and significant promotional activities on the overall image of China’s tourism” (CNTA, 2013) and also “Promote the international communication and cooperation of tourism and take charge of affairs relating to the cooperation with international tourist organisations” (CNTA, 2013).

The role of promoter highlights the DMOs marketing function. Indeed, marketing, as one of the principal responsibilities of an NTO, and usually forms the largest functional area (Cooper et al., 2008). Furthermore, success in developing an international tourism market also requires great effort and promotion by the DMO (Genc and Pirnar, 2009). In addition, a DMO is also considered to have the role of ‘investment stimulator’, stimulating tourism investment through the provision of financial incentives (Zhang et al., 1999).

Coordinator: coordinating activities of different government departments with respect to tourism. In the CNTA this means they: “Normalise the operation and services of tourist enterprises and practitioners. Take charge of the overall coordination, supervision and management of tourist safety and emergency rescues. Guide the construction of the ideological infrastructure and the credibility system as well as operations of trade organizations” (CNTA, 2013)

Coordination is required within and between government departments, within the industry and between government and industry, and even overseas (Pike, 2004). The effective attainment of vast benefits requires significant levels of cooperation and coordination (Pike, 2004).



Educator: establishing a system of tourism education institutions, and providing tourism education and training programs. In the CNTA this means they: “Organise and instruct tourism education and training stipulate the vocational qualification system and ranking system for tourism employees with relevant authorities and supervise the implementation” (CNTA, 2013).

As an industry, tourism is highly dependent upon labour-intensive services (Amoah and Baum, 1997). Human resource issues are widely discussed in tourism studies (Gong, Law, Chang and Xin, 2009; Kusluvan, Kusluvan, Ilhan and Buyruk, 2010; Boella and Goss-Turner, 2013). One common consensus in human resource management is that the quality of a firm’s personnel directly determines that firm’s performance (Arthur, 1994; Meyer and Allen, 1997; Ostroff and Bowen, 2000; Wang, Tsui, Zhang and Ma, 2003). Human resource issues in tourism are multi-dimensional (Peacock and Ladkin, 2002), thus government involvement in tourism education is necessary in order to move the labour market towards enhancing quality tourism services (Zagonari, 2009).

### **3.4 Conclusion**

Chapter 3 began with a discussion of the historical development of Chinese tourism. According to many sources, China’s tourism industry has become very important globally, and this has been influenced by the guidance of various government policies. Because China is a socialist country, the general issue of privatisation is a very hot topic; the tourism industry is also greatly affected by developing privatisation. The emergence of hotels under international ownership was an obvious example of the phenomenon of privatisation in China’s tourism industry. However, the impact of the huge growth of tourism in China did not only have beneficial effects, it also brought enormous potential challenges that might hinder future development. For example the Chinese government has paid a great attention to the issues of sustainability, and also started to balance the effects and requirements of rapid development and environmental protection.

A brief historical discussion about the development of DMOs in China dealt with the evolution of the Chinese tourism organisation. The supreme power of the government has been highlighted in terms of organising, coordinating and promoting the Chinese tourism industry. Due to China's socialist background, almost all DMOs are still in the public sector in China. However the fast pace of modernisation, together with the phenomenon of privatisation, has brought more private-sector business opportunities within a traditional socialist country. In this case, SOEs and private business have started to occupy the share within the current Chinese tourism industry. Thus, Chinese DMOs now have a more diversified nature nowadays. The function of Chinese DMOs was discussed in relation to their administrative levels; because the issue of spatial administrative hierarchy is closely associated with political power. In other words, DMOs at the national level are mainly responsible for the formulation of specific tourism policies and regulation. While local level DMOs mainly have autonomy to make proposals and provided suggestions to the local municipal government for tourism policy-making. Finally, the general functions of China's national DMO, the CNTA were summarized and discussed; these functions are those of operator, regulator, promoter, coordinator and educator.

## **Chapter 4 Performance Measurement Systems (PMSs) in DMOs**

### **4.1 Introduction**

In the 21<sup>st</sup> Century, organisations are challenged to deliver quality products and services to their customers. Managers need to create and sustain internal systems and controls to ensure that their customer-focused strategies are being implemented. In this regard, a large amount of management literature has concerned with organisational configurations and effectiveness (Doty et al., 1993; Ketchen et al., 1993; Ketchen et al., 1997), organisational commitment and performance (Keller, 1997; Shore et al., 1995; Dunham et al., 1994). In the research, chapter 4 discusses one of the key concepts related to this study, that of the Performance Management Systems (PMSs).

This chapter begins with the definition of PMSs. This is followed by a discussion of the historical development of PMSs' theories, with several significant works provided. The features of PMSs as related to the public sector are specially examined, because almost all Chinese DMOs are public in the research. The PMSs adopted by DMOs are widely reviewed and discussed alongside several outstanding previous works in tourism management studies. This chapter ends with a conceptual framework of a model that is developed for PMSs application of Chinese DMOs.

### **4.2 Performance Measurement Systems (PMSs)**

#### **4.2.1 The definition of PMSs**

PMSs are considered to be one of the most interesting managerial innovations of recent years; this is due to the fact that they represent the important link between strategic planning and operational control (Tonchia and Quagini, 2010). Most theoretical frameworks for the design of PMSs take objectives and strategy as their starting point. For example one of the most

popular approaches, the balanced scorecard, begins by asking “what do shareholders want?” and translates the vision and strategy of a business into measures across four different areas. However, there is no certain definition regarding what the PMSs are. As Neely et al. (1995:80) stated, “Performance measurement is a topic which is often discussed but rarely defined”. The reason for this may be that what constitutes measurement differs between various scholars and institutions. Indeed, as Carter (1991) noted, performance was a broad concept; it has various meanings for different audiences, and in different contexts.

According to Lebas and Euske (2002:67), performance was one of those “suitcase words (Bourguignon, 1995) in which everyone places the concepts that suit them, letting the context take care of the definition”. However, one common characteristic of performance measurement is that “a performance measure measures something...usually progress toward an objective or goal” (Lichiello 2000:11). Neely et al. (2002) defined PMSs as the balanced and dynamic system that provided support to decision-making processes by gathering, elaborating and analysing information. Indeed, Bagwat et al (2007) commented that PMSs were essential to effective planning and control as well as decision-making. When further reviewing the meaning of ‘balanced’ and ‘dynamicity’, Taticchi, Tonelli and Cagnazzo (2010) noted that ‘balance’ referred to the need of using different measures and perspectives that, tied together, gave a holistic view of the organisation. The concept of ‘dynamicity’ refers to the need to develop a system that continuously monitors the internal and external context and reviews objectives and priorities.

Furthermore, the nomenclature of PMSs is somewhat confusing, partly due to the use of similar words and phrasing. In order to accurately distinguish the differences, the definitions provided by Neely et al (1995) were as follows:

- Performance measurement can be defined as the process of quantifying the efficiency and effectiveness of an action.
- Performance measure can be defined as a metric used to quantify the efficiency and/or effectiveness of an action.
- Performance measurement systems (PMSs) can be defined as the set of metrics used to quantify both the efficiency and effectiveness of actions.

At the basic level, PMSs demonstrate that the level of the performance that an organisation attains and is a function of the efficiency and effectiveness of the actions it undertakes. PMSs are normally discussed from a marketing perspective (Najmi and Kehoe, 2001). According to Kotler (1984), organisations achieved goals by satisfying their customers with a greater efficiency and effectiveness than their competitors. In this definition, effectiveness referred to the extent to which customer requirements were met, while efficiency was a measure of how economically the firm's resources were utilized when providing a given level of customer satisfaction. This was an important point because it did not only identify two fundamental dimensions of performance, but also highlighted the fact that there could be internal as well as external reasons for pursuing specific courses of action (Slack, 1991).

The benefits of PMSs' application have been distilled into three main areas by de Bruijn (2002). The first relates to transparency; PMSs provide an organisation with insight into its every procedure and the complete structural contribution. It is clear that the manner in which each part of the organisation contributes is crucial to measuring performance (Osborne and Gaebler, 1992). Secondly, De Bruijn's (2002) researched at his own university and found that a significant relationship exists between the introduction of performance measurement and a rise in output. Tonchia and Quagini (2010) also highlighted that the importance of the PMSs nowadays relates to an

increasing number of various goals, and so there was the need for a continual systematic approach which provides overall scrutiny as well as the possibility to distinguish priorities. Thirdly, the PMSs provided an elegant way of shaping accountability. De Bruijn (2002) explained that those who were granted a great deal of autonomy had to account for their behaviours and provided insights into their own performance.

Given the above discussion, the PMSs are considered as the system involved with various measures that can be qualitative, or quantitative, or both. The PMSs aim to evaluate the difference between two identified periods. The content of the PMSs is supposed to be closely related to the objectives and roles of the organisation, and encompass holistic aspects of the organisation performance (Tian et al., 2011)

#### **4.2.2 The history of the PMSs development**

The PMSs have been evolving for a long time. Through a period from the late 1880s to the late 1980s, were primarily based on management accounting systems (Gomes et al., 2004). This resulted in most measures focusing on financial data (e.g. return on investment, return on sales, price variances, sales per employee, productivity and profit per unit of production). At that time, productivity was considered the primary indicator of performance. Edosomwan (1985:3) argued that there were three basic forms of productivity:

1. Partial productivity is defined as “the ratio of total output to one class of input”
2. Total factor productivity is defined as “the ratio of total output to the sum of associated labour and capital (factors) inputs.
3. Total productivity is defined as “the ratio of total output to all input factors”

Towards the end of the 1980s, companies began to lose market share to overseas competitors who were able to provide higher-quality products with lower costs and more variety (Ghalayini and Noble, 1996). This indicated the shortcoming of traditional PMSs that financially-based PMSs failed to measure and integrate all the relevant factors critical to business success (Kurien and Qureshi, 2011). Several shortcomings of financial performance measures have been argued by Guilding (2009). Firstly, financial performance measures were limited to measure the facets in money terms and failed to account for more intangible facets (e.g. staff morale, information system support) (Guilding, 2009). Secondly, declining levels of sales could be caused by many things (e.g. staff motivation, brand recognition, or service quality). However, the financial performance measures did not tell what factors account for the bad financial result (Guilding, 2009). Thirdly, financial performance measures suffered from having a backward-looking orientation (Guilding, 2009). A bad financial result only represents a bad performance in the past; it cannot give a perspective towards future performance. Fourthly, financial performance measures could only promote short-term focused behaviour. This temporal aspect was captured by Guilding (2009:225) when he stated that “the difference between the time at which a managerial action is taken, and the time when the results of the action are felt, highlights a further shortcoming of financial performance measurement systems”. Consequently, there is a widely accepted viewpoint that businesses cannot focus on cost and profit alone (Porter 1980).

In the late 1980s, some frameworks, which attempted to present a broader view of performance measurement started to appear (Gomes et al., 2004). The implementation of these changes revealed that previous traditional performance measures were inappropriate for managing businesses of the day, and the development of modern PMSs were necessary for the future

success (Ghalayini and Noble 1996). Many scholars have reiterated that non-financial information might give more comprehensive insight into the whole performance of stakeholders, customers and employees (Kaplan and Norton, 1992; Kaplan and Norton, 1996). Nowadays, the characteristics of non-traditional performance measures have been widely suggested by many scholars (Dixon, Nanni and Vollman, 1990; Maskell, 1991; Sink and Smith, 1993; Hayes, Wheelwright and Clark, 1998; Fullerton and McWatters, 2002; Muse and Wadsworth, 2012). Several viewpoints have been summarised by Ghalayini and Noble (1996):

- Measures related to manufacturing strategy
- Primarily non-financial measures (i.e. operational)
- Measures should foster improvement rather than just monitor it
- Measures should change as is required by a dynamic marketplace.

A detailed comparison between traditional and non-traditional performance measures by Ghalayini and Noble (1996) is listed in Table 4.1:

**Table 4.1 A comparison between traditional and non-traditional performance measures**

<b>Traditional performance measures</b>	<b>Non-traditional performance measures</b>
Based on outdated traditional accounting system	Based on company strategy
Mainly financial measures	Mainly non-financial measures
Intended for middle and high managers	Intended for all employees
Lagging metrics (weekly or monthly)	On-time metrics (hourly, or daily)
Difficult, confusing and misleading	Simple, accurate and easy to use
Lead to employee frustration	Lead to employee satisfaction
Neglected at the shop floor	Frequently used at the shop floor
Have a fixed format	Have no fixed format (depends on needs)
Do not vary between locations	Vary between locations
Do not change over time	Change over time as the need change
Intended mainly for monitoring performance	Intended to improve performance
Not applicable for JIT, TQM, CIM, FMS, RPR, OPT, etc.	Applicable
Hinders continuous improvement	Help in achieving continuous improvement

(Source: Ghalayini and Noble, 1996:96)



One of the most significant works in the non-traditional PMSs studies is the balanced scorecard. The balanced scorecard is a result of a year-long research project with 12 companies based on the premise of performance measurement by Kaplan and Norton (1992). The balanced scorecard consists of a set of measures that gives managers a comprehensive insight into the overall business. It has been widely acknowledged that it is an innovative instrument for the demands of today's competitive environment (Lipe and Salterio, 2000; Figge, Hahn, Schaltegger and Wagner, 2002; Maltz, Shenhar and Reilly, 2003; Olson and Slater, 2010).

It is worth considering the ways in which the different components of these scorecards are categorised. For instance, Fitzgerald et al. (1991) devised a performance model that included six dimensions: two of these performance dimensions were the results of strategy, competitiveness and financial success, the remaining four were determinants of the success of these strategies, quality, flexibility, resource utilization and innovation. However, Kaplan and Norton (1992)'s balanced scorecard argued for performance measurement over four dimensions of performance: financial, customer satisfaction, internal business processes and innovation and learning. Kaplan and Norton effectively considered the three dimensions of quality, flexibility and resource utilization in Fitzgerald *et al.*'s (1991) model to be the single dimension of internal business processes. That said, Kaplan and Norton's dimensions could also be classified as results (financial, customer) and determinants (internal business processes and innovation and learning). Kaplan and Norton (1996) argued that the balanced scorecard was not primarily an evaluation method, but rather it was a strategic planning and communication device to provide guidance to divisional managers. The basic advantage of the balanced scorecard is to integrate the financial and non-financial measures together, and link the organisational performance to the

strategic objectives (Wang, 2006). Managers using the balanced scorecard do not have to rely on short-term financial measures as the sole indicators of their company's performance. The balanced scorecard introduced four new management processes that, separately and in combination, contributed to linking long-term strategic objectives with short-term action (Kaplan and Norton, 1996). Malina and Selto (2001) provided empirical evidence that such a device presented significant opportunities to develop, communicate, and implement strategy. Longfield-Smith (1997) also argued that senior managers might select and use performance measurement in strategy formation and implementation, and to stimulate strategic change.

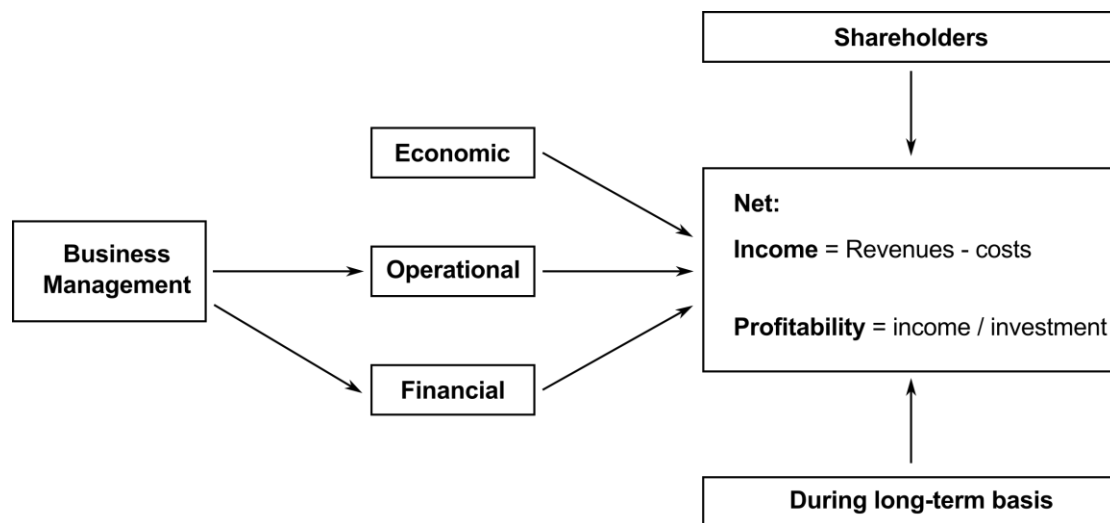
Despite the widespread use of the balanced scorecard, numerous authors (Warren and Langley, 1999; Mooray et al., 1999; Hudson et al. 2001) have identified its shortcomings. The absence of a competitiveness dimension, as included in Fitzgerald's et al.'s (1991) results and determinants framework, was noted by Neely et al. (1995). Others emphasized the importance of measurement of the human resources perspective/employee satisfaction, supplier performance, product/service quality and environmental/community perspective (Maisel 1992; Ewing and Lundahl 1996; Lingle and Schiemann 1996; Brown 1996). Failure of the balanced scorecard urgently suggested more specialised PMSs implementation in these more focused areas. Indeed, a similar argument was raised by Hunt (1991:2): "Measuring return on investment for governmental or public tourism organisation is complicated because most are unable to be particularly product-specific or narrow in their marketing efforts. Most of these organisations are required to develop and promote a rather generic or general destination product comprised of a large pack-age of diverse products, services and attractions over which they have little or no control".

Furthermore, some studies have advocated a stakeholder perspective in the design of PMSs (Quinn and Rohrbaugh, 1983; Neely et al., 2002; Tangen, 2004). For example, various scholars have built the study of PMSs based on stakeholder theory, and started from stakeholder analysis (Atkinson et al., 1997; Neely et al., 2002). The development of the Performance Prism (PP) by Neely et al. (2002), aimed to examine the relationships between DMOs and their key stakeholders. An emphasis was placed on clarifying the stakeholders' links to DMOs' strategies, processes and capabilities. Regarding the PP model, a strategy is an instrument for satisfying stakeholders; processes are derived from strategy, and are dependent upon capabilities and stakeholder contribution. As Spyriadis, Fletcher, Fyall and Carter (2009) asserted, the PP model identified and evaluated the entire 'stakeholder contribution'. However, because stakeholder theory fails to provide corporate managers with a single objective (which might result in managerial confusion, conflict, or even competitive failure) most stakeholder models are only used in the public sector (Jensen, 2001; McAdam et al., 2005). Aiming to define proper relations between a single objective function and stakeholder theory, Jensen (2001) promoted an 'enlightened stakeholder theory', which specifies long-term value maximization as the firm's objective, while focusing on meeting the demands of all important corporate constituencies. However, Jensen (2001) did not provide a framework to link together a firm's objectives and strategy, the expectations and contributions of the stakeholders, and PMSs.

More recently, a different contribution has begun a new line of argument regarding performance measurement. According to Tonchia and Quagini (2010), profit and profitability are the two main aims referred to as the ultimate goals for any business. Profit over time provides for positive cash flows, whilst adequate profitability levels justify returning investment funds back into the company, rather than funding other forms of investment. As Figure 4.1 (below)

shows, profit is seen as net income, and profitability is the ratio between income and investments.

**Figure 4.1 Profits and profitability**



(Source: adopted from Tonchia and Quagini, 2010)

Within this model, operational management accounts for the typical business activities such as production and sales. Financial management denotes all the activities relevant to accumulating the capital required by the company. Financial management may not be a core business concern but is significant in helping company revenues through attending to the customer relationship service, or human resource management.

At the same time, the economic context is an important factor influencing the performance of a company. It involves all the contextual, institutional and market factors that a company cannot manage or control, for example inflation or financial crises. Meanwhile, Tonchia and Quagini (2010) suggested that these operational and financial aspects needed to be attended to on long-term basis. Organisational results should be considered as a whole and over a period of time, not on a year-by-year basis, as positive results in any single year can easily be achieved by sacrificing performance in subsequent years,

by for example using financial transactions that can seriously undermine the confidence of customers.

Furthermore, the ultimate performance of profit and profitability mainly concerns the aspect of shareholders. Therefore it is necessary to consider giving more concern to other stakeholders when assessing and planning the successful future of the company, these other stakeholders include: executives and employees (to maintain their wages and salaries); customers and suppliers (to maintain, respectively, the supply and sales markets); and the global community (for social policies and objectives related to employment and protection of the environment).

Tonchia and Quagini (2010) also added to the concern regarding the lack of integration of non-cost performances into organisational assessment. They suggested that customer satisfaction should be given more attention in the future. Indeed, customer satisfaction and quality are often cited as critical performance variables in today's developed economies. Consequently, customer satisfaction and the quality of internal processes are two key perspectives in any balanced scorecard (Li and Tang, 2009).

Given the above discussion, PMSs used to be a tool only concerned with accounting systems and financial data, but PMSs have now moved to taking a broader view with an addition of non-financial measures. One of the most significant works in the non-traditional PMSs is the balanced scorecard that provides more comprehensive aspects for the organisation to consider. The biggest advantage of the balanced scorecard is the ability to integrate financial and non-financial measures together, and it links organisational performance to strategic objectives. However, there is still a lack of measurement from the perspective of stakeholders such as employees,

customers and investors. Tonchia and Quagini (2010) also added the economic context concern and the indicators of profit and profitability into the PMSs. However, despite the remarkable progress made over these years in the study of PMSs, many companies were still primarily relying on traditional financial performance measures (Tangen, 2003). This suggested modern PMSs for the 21<sup>st</sup> century business needs to be established from a stakeholder's perspective, and to link organisational objectives with both financial and non-financial concerns.

#### **4.2.3 PMSs in the public sector**

Carter (1991) identified the differences in performance measurement between the public and private arena. Because private firms insist on the requirements of the bottom-line profit, performance measurement is a straightforward and necessary technique; however public services operate with a fixed budget and consumer groups are in competition with each other for scarce resources (Carter, 1991). The problem of scarce resources has important implications for performance measurement in the public sector; a certain degree of insensitivity to consumer demands is needed in order to protect the interests of those vulnerable consumers, least satisfied with services delivered and with the least resources for either "exit" or "voice" modes of protest (Klein, 1984). Hence there is an important normative argument in recent performance measurement research in public sectors. The traditional PMSs are criticized due to a limited ability to measure effectiveness or outcomes in government organisations (Kloot and Martin, 2000).

Based on this argument, Gilbert and Parhizgari (2004) provided a platform for the comparison of measures of internal structures and processes associated with organisational effectiveness in the private and public sectors. It is concluded that the effectiveness measures applied in both the private and

public sectors are significantly different (Gilbert and Parhizgari, 2004). Contrary to what happens in the private sector, the approach of performance measurement in the public sector concerns the three Es of economy, efficiency and effectiveness (Mayston, 1985; Midwinter, 1994). A good example of this is Van Peurse et al. (1995), who developed an approach for evaluating health-care performance in New Zealand. Unlike the previous discussion, the model advanced by Van Peurse et al. (1995) emphasised the process of converting inputs into outputs and the subsequent outcomes of public-service provision.

Performance measurement has been a matter of interest in the public sector for some time (Beyle and Parratt, 1938; Rosa 1921), but it was with the advent of New Public Management (NPM) reforms (Hood, 1991, 1995; Dunleavy and Hood, 1994; Lapsley, 2008) PMSs became firmly established as a central tool for transforming old bureaucratic administrations into efficient and effective organisations (Dent, 1991). Hood (1991) showed how NPM reforms comprised a number of different doctrines that were blended according to the specific public sector circumstances under discussion; these doctrines included more emphases on “professional” management, the introduction of explicit measures of performance, a focus on outputs and results, and an ever-greater role played by “private sector styles” of management practice. Hood (1991:5) further argued that NPM actually represented the integration of “administrative reform” and “business type managerialism”. However, many studies have also explored the functional difficulties of PMSs in the public sector (Swiss, 1992; Faucett and Kleiner, 1994; Propper and Wilson, 2003).

In recent years many in the public sector have suffered pressure to maintain the volume and quality of services supplied to the public yet at the same time

they must reduce their demands on taxpayers (Brignall and Modell, 2002). To achieve this, they have been subjected to the introduction of various 'private sector' management techniques (Brignall and Modell, 2002). There is great concern about whether the key features of effective performance in the private sector can actually be applied to public agencies (Swiss, 1992). Such action may result in an over-emphasis on public-sector financial performance (Brignall and Modell, 2002). Thus, many criticisms strongly note that, given the public sector's distinct organisational nature, there is a need to tailor techniques derived from private sector for application to the public sector (Bouckaert, 1990, 1993; Holzer, 1991; Bouckaert and Balk, 1991; Smith, 1993; Beryl, 2000; Boland and Fowler, 2000; De Bruijn, 2002;). For example, balanced scorecard was designed for a non-financial performance at a time when many in the private sector felt it might be more 'balanced' and not very suitable for them. Basically, private sectors are led by boards of directors and chief executive officers whose focus is to make profit and provide value to shareholders (Arnaboldi and Azzone, 2010). Thus, the inadequate PMSs do not help in understanding what services are provided and to whom (Kloot and Martin, 2000).

The second problematic issue of PMSs in the public sector is the existence of a wide range of users. A focus on stakeholders is evident in recent performance models. Within the public sector, the existence and importance of a wider set of stakeholders has long been accepted (McAdam, Hazlett and Casey, 2005; Riege and Lindsay, 2006; Fernandez and Rainey, 2006). For example, Kaplan and Norton's (1992; 1996) balanced scorecard explicitly referred to shareholders, competitors and customers. Fitzgerald et al.'s (1991) results and determinants framework also made explicit reference to customers and competitors. Atkinson et al. (1997) referred to environmental stakeholders: customers, owners and the community; and process



stakeholders: employees and suppliers. Environmental stakeholders were concerned with primary objectives, which in the public sector was value-for-money service delivery. Process stakeholders were vested with the planning, design, implementation and operation of the organisation to meet the primary objectives. However, the challenge suggested by Brignall and Modell (2000) was that public sector had to design and use PMSs in order to satisfy the interests of differing stakeholders.

Most models take shareholders' expectations as the objective, and many organisations have recognised the need to satisfy multiple and potentially competing goals (Chenhall, 2003). Nevertheless, some scholars argued that PMSs "have measured too many things and the wrong things" (Atkinson et al., 1997:26), not least because of pressures in public sector organisations to meet the information needs of a large number of stakeholders (Sicotte et al., 1998). Indeed, performance measures have become too many, and too operationally focussed (Atkinson and McCrindell, 1997; MAV, 1993). The result is performance measures that are overwhelming and do not always meet the needs of relevant stakeholders. One solution that has been argued for is the use of a contingent approach to information systems design (Brignall, 1997). It is suggested that this may help these developments meet the differing needs of multiple stakeholders (Kanter and Summers, 1987; Doyle, 1994; Brignall and Ballantine, 1996a; Atkinson et al., 1997). However, contingency theory has been criticized for its simplistic treatment of power, choice and the existence of multiple stakeholders, each of which has many overlapping but different objectives (Brignall and Modell, 2002). Furthermore, most contingency research of management accounting has focused on systems design, and only rarely discusses implementation issues (Ginzberg, 1980).

Thirdly, many scholars have highlighted the difficulties for the public sector in defining targets for their performance (Smith, 1993; Bohte and Meier, 2000; Popper and Wilson, 2003; Van Thiel and Leeuw, 2002). The work of Ammons (1995), Midwinter (1994), and Kluvers (1998) all showed a low usage rate of performance indicators in the public sectors of, respectively, the United States, Scotland and Australia. The main reason suggested by Midwinter (1994) was that there was a difficulty of clearly defining what was to be measured. Atkinson and McCrindell (1997) also suggested that governments needed a better means of determining performance in relation to objectives. The objective of performance is directly related to the measurement that is chosen. Hence, a possible solution was offered by Relative Performance Evaluation (RPE), which was more commonly known as performance benchmarking (Bogan and English, 1994; Elnathan et al., 1996; Siverbo and Johansson, 2006). Camp (1989:10) defined benchmarking as “the continuous process of measuring products, services and practices against the toughest competitors or those companies recognized as industry leaders, (that is) ... the search for industry best practices that will lead to superior performance.”

However, a number of problems have arisen in its implementation, such as the difficulty of comparing institutions with different organisational structures (The chartered institute of public finance and accountancy, 2008). Institutional theory is recommended as it “assumes that a primary determinant of organisational structure is the pressure exerted by external and internal constituencies on the organisation to conform with a set of expectations to gain legitimacy and so secure access to vital resources and long-term survival” (Brignall and Modell, 2002:288). However, the personal attitude and behaviour of managers is considered to influence the process of institutionalization (Beckert, 1999; Crossan et al., 1999); thus this difficulty is linked to the competencies of PMSs’ actors. Public sector managers are

traditionally accustomed to dealing with financial measures, but are less familiar with non-financial indicators and concepts such as output and outcome (Arnaboldi and Azzone, 2010). This can create problems during the early phases of adoption, when the design of the system is delegated to internal managers. Furthermore, a lack of competency is also a major hindrance during the development of PMSs, and can lead to its abandonment or to unintended consequences (Smith, 1995; Wang and Gianakis, 1999; Lawton et al., 2000; Popper and Wilson, 2003).

The above section discussed the adoption of PMSs by the public sector. The significant differences between public and private organisations mean that there is an urgent need to separate the PMSs of the public and private sectors. The particular concern about the PMSs in public sector is because this research aims to investigate the adoption of PMSs by Chinese DMOs. In China almost all DMOs are public sector and located at one of the various administrative levels. Thus, the features and issues of PMSs in the public sector are specifically concerned. In the next sections, the adoption of PMSs by DMOs in the tourism industry is broadly examined and discussed.

### **4.3 The PMSs adopted by DMOs**

As discussed in the previous sections, while the balanced scorecard is a significant approach in the PMSs studies, it is also widely used in the tourism and hospitality industry (Brander and McDonnell, 1995; Doran et al., 2002; Phillips and Louveris, 2005). Evans (2005) provided evidence for the wide usage of the balanced scorecard in the hospitality industries. Huckestein and Duboff (1999) provided a case study of the Hilton hotel group and discussed a range of benefits deriving from their balanced scorecard implementation. According to the findings, the adoption of balanced scorecard throughout the Hilton organisation promoted a more consistent business culture for the group.

Such consistency was considered by Guilding (2009) as of critical importance in a business with many distinct operating units and a high staff turnover rate. The balanced scorecard also assists the organisation to promote a multi-dissemination strategy and focuses managers on the factors that drive short- and long-term success (Guilding, 2009). At the same time, the balanced scorecard has increased the frequency of self-assessments.

However, the balanced scorecard still retains several shortcomings in that it may not completely meet the requirements for the fragmented tourism industry. In this case, PMSs need to be broadly concerned for the DMOs application. Although the substantial value in using benchmarking and measurement tools is well-acknowledged in recent organisational and managerial studies literatures, there is still a lack of investigation into PMSs' implementation in DMOs across the world (Morison et al., 1998; Woodside and Sakai 2001; 2003; Pike, 2004; 2007; Tian et al, 2011). It has been suggested that the most challenging and least reported aspect of DMOs is performance measurement (Pike, 2004). The reason has been generally considered to be the nature of DMOs per se.

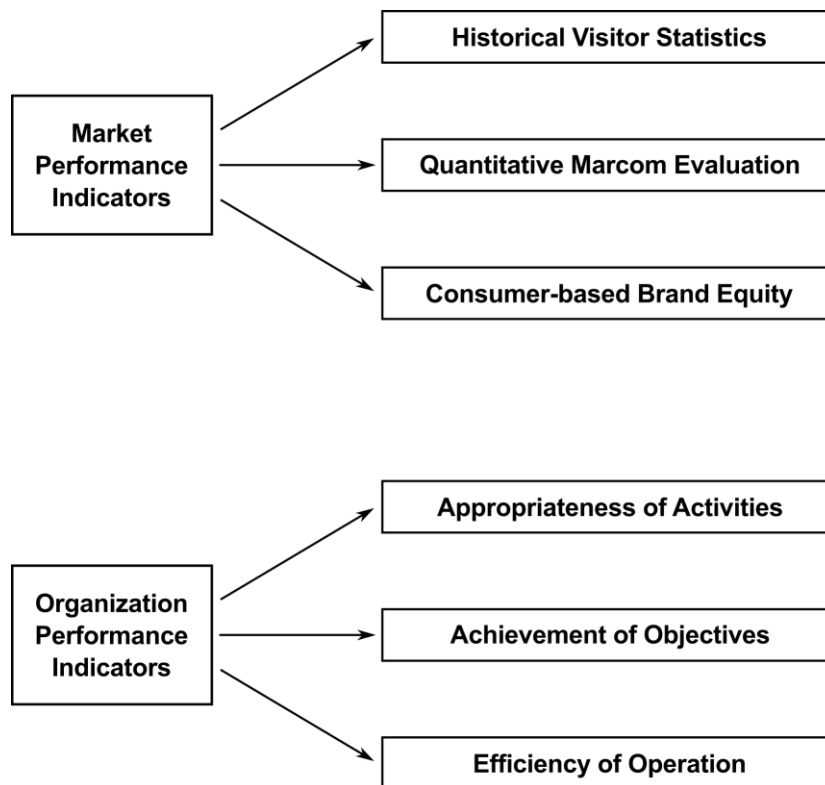
As previously discussed, a DMO is a multi-dimensional organisation that comprises various stakeholders and involves different structures (Harrison and Freeman, 1999; Turcotte and Pasquero, 2001; Hardy, 2005). For example, infrastructure, water supply, sewage disposal, police, fire protection, streets and lighting, communications, promotion, marketing and visitor attractions are generally controlled by the public sector, while accommodation, food and beverage, attractions, tour operators and travel agents are mostly provided by the private sector. At the same time, some attractions are managed by public-private partnerships. Thus, it is very difficult to measure all the different dimensional performances from a common approach. Most

importantly, Neely et al (2002, cited in Marr and Adams, 2004) and Chang (2007) highlighted the balanced scorecard's weak attention toward multiple stakeholder attributes and employee concern. The specialised PMSs are urgently required to mitigate against the current turbulent economic and business environment (Spyriadis, Fletcher, Fyall and Carter 2009).

The importance of PMSs' application in DMOs has also been highlighted by Pike (2004:179) who suggested that "the extent to which DMOs are able to monitor the effectiveness of their activities is a key destination marketing and management function, not only for improving future promotional efforts but also for accountability, funding purposes, and in some cases their very survival as an entity". Nowadays, an increased number of scholars in the tourism and hospitality area has pursued a series of study regarding PMSs with the objective of accounting for unique industrial and organisational characteristics (Ritchie and Crouch, 2003; Pike, 2004; Presenza, Sheehan and Ritchie, 2005; Tian et al 2011). Some of the significant contributions are discussed in the following section.

Traditionally, the most common way to measure the performance of a DMO is dividing performance indicators into two groups: one is market performance indicator and the other one is organisation performance indicator. According to Figure 4.2 as below, there are two main indicators to examine the performance of DMOs by Pike (2004):

**Figure 4.2 DMO Performance Indicators**



(Source: adopted from Pike, 2004)

Firstly, the dimensions of visitors and their experiences are increasingly measured as they provide key information for DMOs to develop policies, plan programs, monitor change, and in turn evaluate those policies, programs, and changes (Davenport et al., 2003). Counting the number of visitor arrivals has been an obvious common measure in the tourism industry for a long time (Pike, 2004). For example, Paraskevopoulos (1977) suggested that visitor nights were a more basic parameter for tourism demand. Because of the difficulty of collecting all cross-sectional tourist expenditure data, tourist numbers become a significant indicator in measuring market demand (Barry and O'Hagan 1972). Due to a range of various statistics measurement used, there are two basic equations provided by Cooper et al. (2008) to establish the volume statistics:

- Number of trips = number of individuals\*average number of trips taken per individual
- Total tourist nights = number of tourist trips\*average length of stay (nights stayed)

Secondly, studies have also been keen to look at the relationship between advertising and sales (Pike, 2004). For example, a successful advertising campaign within the tourism industry is “I ♥ New York”. One way to evaluate the effectiveness of such a campaign is through tracking studies. Tracking studies monitor changes in the markets’ awareness, interest, preference, and intentions as a consequence of exposure to advertising campaigns (Faulkner, 1997). The importance of such studies in the evaluation process was highlighted by Davidson (1994:538) who stated that “In essence, the science of predicting human behaviour – of which advertising evaluation research is a branch – is at best imprecise”. The relationship between message and a change in mindset is more direct and easy to study; if the effect of advertising begins in the potential customer’s mind then it is precisely here that advertising evaluation research should focus its efforts.

On a related note, the importance of promotion in current DMOs has been highlighted by Ritchie and Crouch (2003) who argued that many DMOs might be more appropriately termed ‘destination promotion organisations’ as many of them believed that their efforts should be solely dedicated to destination promotion. Advertising is often described as “above-the-line’ promotion (Cooper et al., 2008). The advantage of advertising has been suggested with the theory of communication by Cooper et al. (2008). It is well-known that communication involves two steps: media and word-of-mouth. People are normally attracted by public media and their opinions and experience will influence others’ behaviour. Thus the aim of marketer is to make the potential

customers, or in other words, 'opinion leaders' aware of destinations through advertising. Thus, the flow of visitor statistics should be the main indicator to measure.

Additionally, Pike (2004) pinpointed the issue of branding, and argued that it was very important for DMOs to understand where the destination lay within the hierarchy of awareness. Traditionally, the approach towards branding performance measurement is through an estimate of brand equity, which has been defined as 'the overall utility that the consumer associates to the use and consumption of the brand' (Vazquez, Belen del Rio and Iglesias, 2002:28). Indeed, Keller (1993) highlighted the tendency in tourism marketing to focus on understanding how marketing initiatives impact on consumer learning and recall of brand information. Of potential value to DMOs in brand effectiveness measurement is the concept of consumer-based brand equity introduced by Aaker (1991, 1996) and Keller (1993, 2003). The three dimensions that have been suggested are brand salience, brand associations and brand resonance, and these are predicated on the assumption that an attitude towards an object is a function of cognition, affect and conation (Malhotra, Hall, Shaw and Oppenheim, 2006).

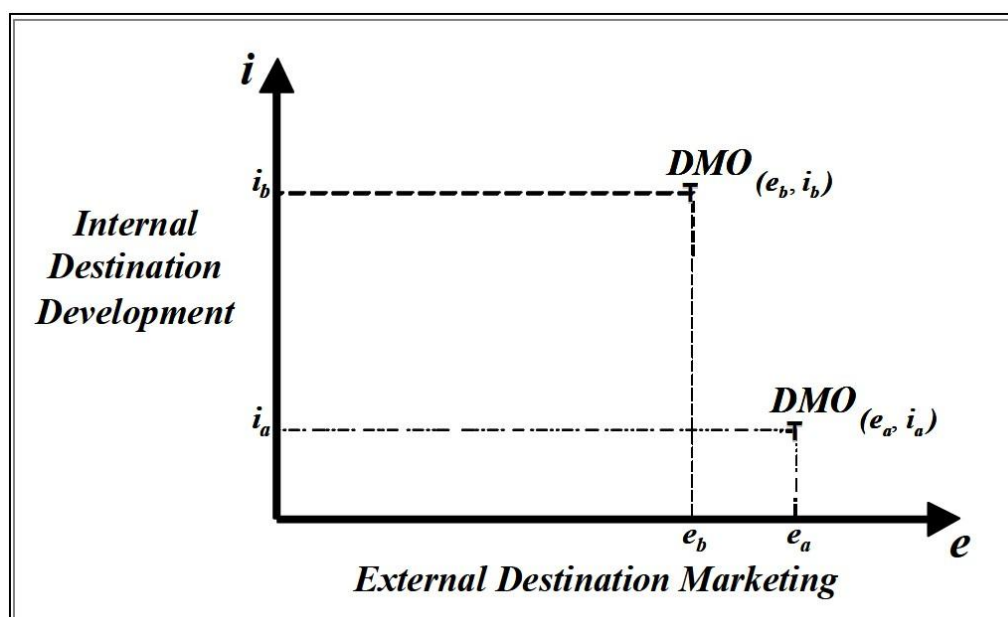
Brand salience is concerned with the extent to which an individual actively considers the brand in decision-making. This is more than simple awareness, but rather is related to higher functional awareness and choice sets for a purchase situation. It is suggested that an individual will be aware of an almost limitless number of destinations, but will only actively consider between two to six in decision-making (Woodside and Sherrell, 1977; Thompson and Cooper, 1979; Pike, 2006). Brand associations are anything linked in memory to the destination, also referred to as perceptions and image, and are most commonly measured by indicators of cognition and affect (Chon



1990; Echtner and Ritchie 1991; Pike 2002; Gallarza, Saura, and Garcia 2002). Brand resonance represents a willingness to visit and recommend a destination. It represents the highest level of the brand loyalty hierarchy and is normally measured by repeat visitation and word of mouth recommendations (Pike, 2007). On the other hand, organisational performance evaluation is concerned with the degree to which an entity has achieved its objectives, the appropriateness of those objectives, and the efficiency of implementation (Pike, 2004). These three factors are more aligned with traditional performance measurement in business management. It can be linked to the 'effectiveness and efficiency' issues discussed above.

Furthermore, Presenza et al (2005) suggested the separation of marketing and operation approaches in order to measure DMO performance more effectively. According to their model, DMO activities can be categorized as either External Destination Marketing (EDM) or Internal Destination Development (IDD). In this regard, a two-dimensional graph (See Figure 4.3) is produced with the vertical axis representing the DMO efforts in Internal Destination Development, and the horizontal axis denoting the DMO efforts in External Destination Marketing. The position of the DMO in the model is therefore the combined result of the interaction of its efforts on these two dimensions, and is therefore reflective of its effort in managing the destination. Furthermore, Presenza et al (2005) summarised the main activities of IDD and EDM (See the Table 4.2):

**Figure 4.3 A Descriptive Model of Destination Management in Terms of DMO Efforts in Internal Destination Development and External Destination Marketing**



(Source: Presenza et al., 2005)

**Table 4.2 Summary of the Activities of the DMO Categorized as Either EDM or IDD**

<b>External Destination Marketing Activities</b>	<b>Internal Destination Development Activities</b>
Web Marketing	Visitor Management
Events, Conferences and Festivals	Information/Research
Cooperative Programs	Coordinating Tourism Stakeholders
Direct Mail	Crisis Management
Direct Sales	Human Resources Development
Sales Blitzes	Finance and Venture Capital
Trade Shows	Resource Stewardship
Advertising	Quality of the Visitor Experience
Familiarization Tours	
Publications and Brochures	

(Source: Presenza et al., 2005)

As can be seen, a wide-ranging review of the literature has identified a series of EDM activities aimed at attracting visitors to a destination (Presenza et al., 2005). This complements the previous study by Pike (2004) and explored more detailed marketing activities to “Marcom” facets. Dore and Crouch (2003)

suggested that it was common to think of destination promotion as the ultimate job of DMOs, this promotion might take various forms of advertising, direct marketing, sales promotion, personal selling and publicity, and public relations. DMOs can therefore use different promotion tools to sell their products. On the other hand, IDD contains all other forms of DMO activity outside of marketing, related to their aims to develop and maintain tourism in the destination (Presenza et al., 2005).

In contrast with previous studies, human resources development is listed as a key facet to be measured. Presenza et al (2005) suggested that well-trained employees in all visitor facilities could improve the visitor experience. Given that DMOs may not be able to have any direct control over ensuring that all people working in relevant sectors are well trained, they may therefore certainly exert political influence through their stakeholder network in order to ensure the provision of such services, and perhaps the quality (Ritchie and Crouch, 2003). Indeed, many scholars have emphasised that effective DMOs need to focus on the development of internal organisational capabilities and higher levels of professionalisation, with investments in human capital and human resources (in terms of skills and competencies), and decision-making systems/procedures (Pechlaner and Fuchs, 2002; Carter and Fabricius, 2006; Rodríguez-Díaz and Espino-Rodríguez, 2008). Furthermore, a key conclusion relates to the need for coordination with other stakeholders in order to meet the demands of both IDD and EDM.

Generally, the model of Presenza et al (2005) can be used by destination marketers or managers for the purpose of performing a destination audit, whereby the DMO compares the activities outlined in the model to what they currently do and searches for other organisations throughout the community that may partially or fully perform (or potentially perform) other activities (Tian

et al., 2011). In this way the DMO is better equipped to understand what it takes to truly make the destination successful, including which stakeholders need to be engaged and where efforts of multiple stakeholders need to be coordinated (Tian et al., 2011). However, these DMO activities should not necessarily be regarded as comprehensive and others should be considered and added based on the real internal and external situation each DMO facet (Spyriadis et al., 2009). In addition, there still remains a problem on the determination of weighting or emphasis of certain activities over others (Presenza et al., 2005). It cannot simply be assumed that all activities are either equally important, or not necessarily of equal importance. Weighting should be dynamic and/or have a situational context; weighting should differ for each destination so as to reflect each destination's socio-political, economic and bio-physical environment.

In the work of Presenza et al (2005), the need for stakeholder coordination is emphasised again. Indeed, the organisational structure of a destination is perceived as a network of interdependent and multiple stakeholders (Cooper, Scott and Baggio, 2009; d'Angella and Go, 2009). Tourism scholars have noted the significance of stakeholder identification, and the value of acknowledging stakeholder interests, goals and priorities for destination managers (Easterling, 2005; Hall, 2000). As Spyriadis et al., (2009:3) suggested, "a robust performance measurement framework that places emphasis on the salience of key stakeholders would be an invaluable tool for DMOs in order to face their destination management challenge". In light of the complex nature of DMOs' internal and external environments, Spyriadis et al (2009:3) agreed that "the study of DMO effectiveness should be underpinned by the basic principle of stakeholder theory in that these organisations should pay attention to the needs, interests, and influence of those affected by their policies and operations". For instance, Blumberg (2005) saw the degree of

stakeholder involvement, and stakeholder support that a DMO achieved as a clear determinant of DMO effectiveness. Bornhorst et al. (2009) provided four key determinants to DMO success from the view of stakeholder: internal stakeholder relations; operational activities; resources and performance measurements (See Table 4.3). As long-term competitiveness is sought, DMOs have to serve and coordinate different stakeholder interests in order to steer activities and maximize outcomes (Freeman and Liedtka, 1997; Harrison and Freeman, 1999; Buchholz and Rosenthal, 2005).

**Table 4.3 Definitions of key determinants of DMO success**

<b>Main Theme Category</b>	<b>Definition</b>
<b>Internal Stakeholder Relations</b>	Any form of interaction among stakeholders, including communication, partnerships (other than marketing), collaboration, stakeholder buy-in, visibility within the community, community buy-in, and government relations.
<b>Operational Activities</b>	Marketing, management, product development, policy making, service provision, etc.
<b>Resources</b>	Funding or personnel issues
<b>Performance Measurements</b>	Factors that illustrate the DMO have, or will increase, the performance of the destination, or determinants of internal performance of the DMO.

(Source: Bornhorst et al. 2009)

Bornhorst et al. (2009) argued that Internal Stakeholder Relations was one of the most important factors in the success of a DMO. In their research almost all DMOs' CEOs, chairmen and attraction managers considered stakeholders to be an integral part of successful collaboration and communication. The DMO is seen by the internal stakeholders see as "a focal point for tourism suppliers in terms of keeping suppliers abreast of important information through effective communication, ensuring stakeholder needs are met, and developing an atmosphere of collaboration" (Bornhorst et al., 2009:14).

Bornhorst et al (2009) also raised the important concept of 'destination

knowledge” (2009:15). The capacity of ‘destination knowledge’ can be regarded as a human resource. Bornhorst et al. (2009) noted that the resources were no longer limited to capital and increasingly mentioned the competency of individuals. During this research several DMO leaders, board directors and other key personnel displayed a number of key attributes, for example political astuteness, visionary skills and a dynamic personality. It was apparent that many respondents viewed the effectiveness of the top executives as directly affecting the success of a DMO. Furthermore, satisfaction of stakeholders is assessed as a core indicator of performance (Neely et al., 2002), in the respect that each stakeholder has a different criterion of effectiveness according to its viewpoint, because they have different interests in the organisation (Spyriadis et al., 2009).

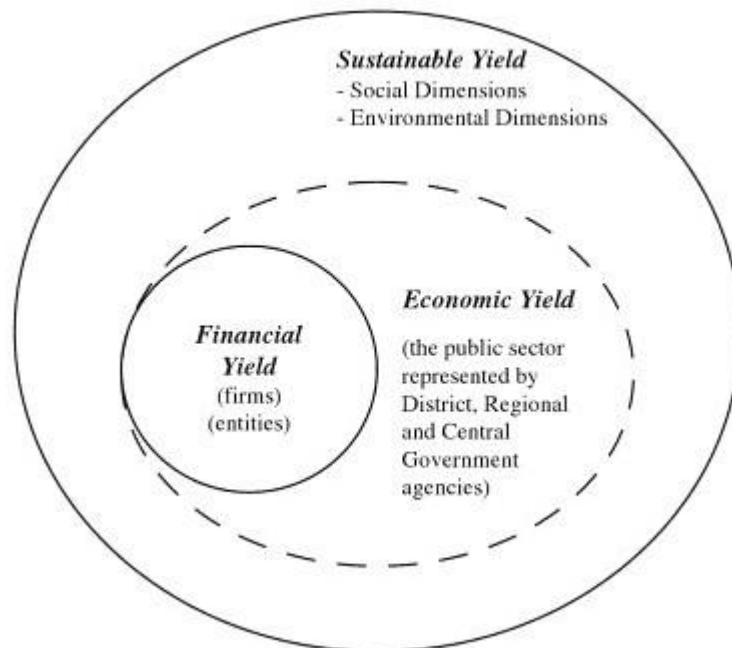
Moreover, Spyriadis et al (2009) further explored other facets of how DMOs’ performance should be measured; their study offered a well-informed and robust performance evaluation tool for destination development managers. Spyriadis et al (2009) conducted one-to-one semi-structured interviews and Delphi panels to identify a DMO performance framework based on three existing models of performance measurement: the Performance Prism, the Balanced Scorecard, and the Public Sector Scorecard. They generally find agreement and support regarding previous theories while also advancing a viewpoint of “innovation and learning” (Spyriadis et al, 2009). Today’s competitive industrial environments require an increased emphasis on continuous innovation as a value-creating (or value-adding) activity, which implies a forward-looking approach and signifies the need for performance measurement frameworks to pay particular focus on leading indicators of performance (Kaplan and Norton, 2001). To identify these features, DMOs’ managers need to map the organisation’s processes and flag critical milestones that can be employed to identify possible performance problems at

an early stage (Niven, 2003). Due to the main limitation of low response rate within the research of Niven (2003); these suggestions should be refined in the light of further study. However, this provides a new insight into what needs to be considered within performance measurement.

Additionally, yield has become a central issue in tourism development with an increasing number of managers seeking 'high yield' tourism (Dwyer and Forsythe, 1997). Simmons et al. (2007) expanded from 'profit and loss' and 'residual income' metrics at the firm level (financial yield, FY), to examine the costs and benefits (revenues) of public sector entities (economic yield), and when sustainability was added as a goal this leads to a consideration of the 'ecological and social service' (sustainable yield) engendered by tourism production and consumption.

Figure 4.4 shows how this provides a new angle to examine the performance of DMOs. In this concept, the public sector is identified as in receipt of benefits from tourism operators by way of rates, taxes, GST (goods and service tax), and direct levies; in turn they supply infrastructure, bio-security, customs, immigration services and tourism promotion. Economic yield encompass all monetary costs/benefits attributable to the public sector relating to tourism production and consumption. In the second theme 'public sector analysis' examining three contributing factors assesses economic yield: the public sector, the business and the visitor. The third integrative theme examines tourists' activities and expenditure to explore the question of whom or what constitutes high-yield tourism, taking into account financial, economic, and sustainable yield dimensions (Simmons et al., 2007).

**Figure 4.4 Conceptual view of types of tourism yield: Firms exist in, and interact with, the wider economy at the district, regional, and national levels, and society and the environment.**



(Source: Simmons et al., 2007:4)

In addition, Woodside and Sakai (2009) discussed the necessity of performance audit implementation from a human behaviour perspective. They suggested that “humans frequently are highly biased, overly confident that their views are accurate, naturally have weak sensemaking skills, overly simplify their observations, typically ignore and discount complexities, and are not particularly accurate in taking measurements” (Woodside and Sakai, 2009:303). It is therefore imperative to create and use formal templates in the analysis of DMO action-planning and implementation, rather than deferring to generally accepted accounting practices in such management and marketing audits. Woodside and Sakai (2009) provided various categories of auditing work based on the context of the United States. For example: Woodside and Sakai (2009) summarised the key issues relating to both managing tourism marketing programs and the auditing of these programs. Consequently it is important to mention that an additional independent review phase, or “Meta-



evaluation”, is added in this model in order to evaluate the performance auditor’s actions and report DMOs’ actions and outcomes. The templates for conducting such meta-evaluations are part of the contribution that Woodside and Sakai (2009) made to the program evaluation of tourism management performance. The advantage of this is to avoid the influence of personal attitudes and behaviours on the entire audit process and its outcomes.

The above models and studies were discussed in the context of performance measurement by DMOs in the tourism industry. Generally speaking, PMSs adopted by DMOs can be generally divided into marketing performance indicators and organisation performance indicators (Pike, 2004). The further study by Presenza et al (2005) separated the functions of marketing and operation DMOs act for performance measurement concern from external and internal aspects. Nowadays, there is still a lack in PMSs’ application that with exception of stakeholder involvement. Then the study of Bornhorst et al (2009) provided four key determinants of DMOs’ success from the viewpoint of stakeholders. Additionally, Spyriadis et al (2009) contributed a new aspect of innovation and learning into performance measurement concern for DMOs. From the accounting aspect, yield as a basic indicator is suggested to expand into financial yield, economic yield and sustainable yield (Simmons et al., 2007). This work provided a new angle to examine the performance of DMOs. Finally, Woodside and Sakai (2009) enhanced the necessity of creating and using formal templates to measure the performance of DMOs, rather just referring to accounting practices in management and marketing audit. Therefore, the model of PMSs designed based on the previous studies for Chinese DMOs is examined and discussed in the next section.

#### **4.4 A Conceptual framework of refined model in Chinese DMOs**

A conceptual framework relates to “the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs your research” (Maxwell 2005:33). Miles and Huberman (1994:18) noted a conceptual framework “explains, either graphically or in narrative form, the main things to be studied – the key factors, concepts or variables – and the presumed relationships among them”. The importance of the conceptual framework was also suggested by Maxwell (2005), who believed it could explain the ‘truth’ of a problem, and why it was worthy of investigation. Generally, the conceptual framework should introduce how the research fits into what is already known and explain its relationship to existing theory and research.

According to the general review in the previous sections, although a complex and multi-faceted term, the concern with ‘Destination’ has been related to its overall management. DMOs have to take responsibility for the survival of a given destination within an increasingly turbulent external and internal environment. At the same time, long-term competitiveness is the ultimate purpose that is also sought. Thus, the management performance of DMOs is crucial to the success of destination development. Human decision-making is somewhat inefficient without reliable data that is brought about by accurate measurement. This argument has been widely discussed and accepted in human resource management and business management studies (Gilovich, 1991; Sackman, 1991; Plous, 1993; Malle, 1999; Gigerenzer, 2000; Wegner, 2002). However, there is a distinct lack of discussion of PMSs and their application in the tourism management study.

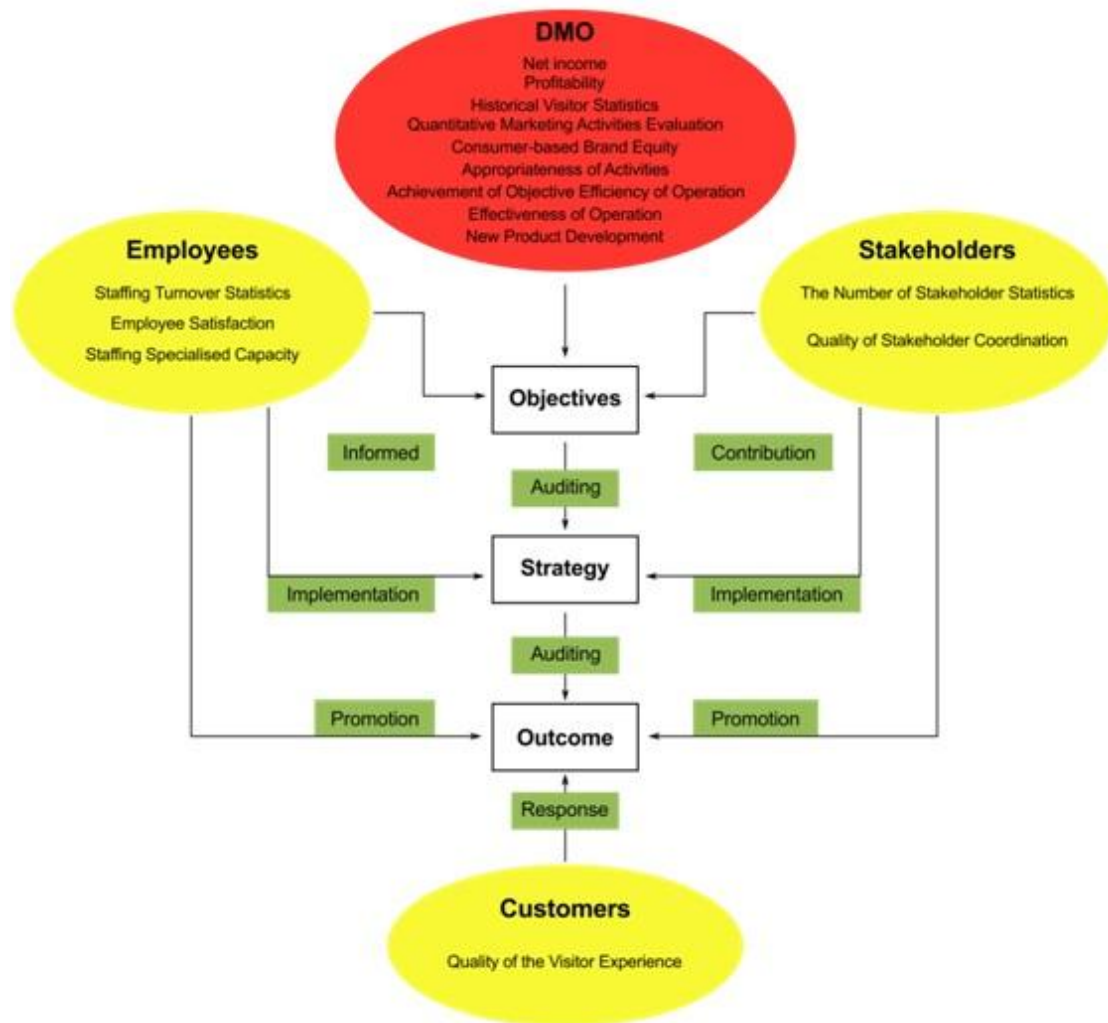
China is chosen as the target of this research due to the rapid and discernible growth of its tourism industry and vast potential tourism resource. This is even though the China’s tourism industry faces issues relating to low-level

management capability and specialised knowledge. In addition, a worldwide survey regarding DMOs development undertaken by UNWTO (2004) had a very low response rate (only 1 respondent) from within the Chinese mainland. Therefore, the situation of general management and PMSs' application of Chinese DMOs provides a compelling case for inquiry.

Although the issue of PMSs is a new topic in the tourism industry, several scholars have begun to discuss it from the perspective of competitiveness and success of destination development (Ritchie and Crouch, 2003; Pike, 2004; Juvan and Ovsenik, 2008; Bornhorst et al., 2010; Shirazi and Som, 2011). According to a general review of relevant literature, some key facets of destination management have been considered and appropriated for the purpose of this study.

The conceptual framework (Figure 4.5) of this study therefore aims to investigate the functions of Chinese DMOs and to develop the model of PMSs that specially designed for Chinese DMOs' application. At the same time, strategies are offered in order to minimise current problems and future challenges in their PMSs' application. According to the wide contributions that relate to PMSs, and against the unique features of the Chinese tourism industry, the key variables and their relationships are assumed to be as follows:

**Figure 4.5 A Conceptual framework of PMSs model in Chinese DMOs**



(Source: the author's own data)

According to the framework shown in Figure 4.5 above, the three key roles of stakeholders, employees and customers are identified under the leadership by the centre of DMOs. Fundamentally a DMO as regulator and operator takes the responsibility to frame the plans and objectives as a whole for ensuring long-term sustainable development. During this phase, various stakeholders may contribute their advice and give related suggestions in order for the objectives to be formalised and considered. At the same time, employees have rights and obligations to be informed of the content of the

objectives. The desired objectives can only be achieved effectively with good understanding of all actors. After this, strategies should be devised based on the needs of the objectives set by the DMO. Strategies are thus also the operating standards for stakeholders and employees to implement. Zhang, Chong and Jenkins (2002:38) noted, “no matter how tourism policy is formulated in the government structure, it will finally be implemented in enterprises”.

Finally, outcomes should be met by the joint efforts of stakeholders and employees. During this process, a DMO delivers various roles in administering and coordinating each section, and in ensuring the quality of service to meet visitor expectation and also maximise their satisfaction. Therefore, as the ultimate goal of DMOs, the feedback of the customer is the most imperative and necessary indicator to measure the desired outcome. In addition, in order to be successful, the application of PMSs should be considered to act at each stage of the conceptual framework. Each stage of DMOs’ operation has been highlighted in green to show where is supposed to be measured by PMSs.

#### **4.5 Conclusion**

This chapter began with an introduction of PMSs. Several definitions regarding PMSs have been discussed. Because PMSs vary in different circumstances, there is no exact rule to identify its formation; but two key viewpoints have been identified to ensure an holistic viewpoint of PMSs. Firstly, organisations should note different measures and perspectives in the PMSs that, tied together, and give an holistic view of the organisation. Secondly, the organisations should develop the PMSs that continuously monitor the internal and external context, and also review the objectives and priorities all the time.

The review of the historical development of PMSs theories provided a chance to comprehensively understand the evolution of PMSs. There was a great turning point for PMSs development at the end of the 1980s, when there was a transformation from traditional PMSs to non-traditional PMSs. Many studies have started to add more non-financial information that might give a more comprehensive insight into the whole performance of the organisation, such as balanced scorecard. A new model of PMSs by Tonchia and Quagini (2010) added the concern of economic context and the indicators of profit and profitability that also provided the chance to concern the aspect of stakeholders. However, there is still a lack in application of PMSs from a stakeholders' perspective such as employees, customers and investors.

The application of PMSs in the public sector was specially discussed, as almost all Chinese DMOs were public sectors. Given their distinct organisational nature, the necessity of separating the PMSs into those dealing with the public, and those dealing the private sector, has been highlighted. The challenge for the public sector is to design and use PMSs that satisfy the interests of differing stakeholders.

Another main concern in this chapter was to examine the application of PMSs for DMOs in the tourism industry. As DMOs are a multi-dimensional organisation, the common PMSs for general business may not enough to measure the performance of DMOs operate. Generally speaking, the PMSs DMOs use aim to measure the performance of external marketing and internal management. At the end of the chapter, a refined model of PMSs is developed for the application of Chinese DMOs based upon previous studies.

## **Chapter 5 Research Methodology**

### **5.1 Introduction**

This chapter provides a discussion of the research methodology used for this research, and how the chosen methodological approach relates to the overall aims and objectives of this research. The chapter begins by determining the philosophical position of this study. As part of this process, a discussion of 'Grounded Theory' shows how to achieve the linkage from ontological to epistemological concerns. Part of this discussion relates to the evaluation of a qualitative approach. Finally, research development gives a detailed insight into the real operation of the research.

### **5.2 Philosophical position**

In order to develop an appropriate research design, it is necessary to settle upon the research paradigm before any empirical activity (Maxwell, 2005). A paradigm consists of what the nature of the world is (ontology) and how it is understood (epistemology). In other words, how does one see the world on one hand, and how does one make sense of it on the other. From a philosophical perspective, ontology is the "science or study of being" (Blaikie, 1993:6) and epistemology is "concerned with providing a philosophical grounding for deciding what kinds of knowledge are possible and how we can ensure that they are both adequate and legitimate" (Maynard, 1994:10). As Crotty (1998) suggested, ontology is a branch of philosophy that deals with the nature of reality, while epistemology is the division of philosophy that investigates the nature and origin of knowledge. Every science has its own dominant ontology and epistemology. However, these two components do not exist independently. Indeed, one way of conceiving of methodology is as the linkage between the two (Williams and May, 1996).

According to Potter (1996), idealism and materialism were both extreme points of view in the concept of ontology, while constructivism and realism are two extreme viewpoints in the concept of epistemology. In this research, the ontological viewpoints represent issues in the natural phenomenon to be researched. However, during the research, it is unavoidable that the researcher's behaviour may be influenced by the active goal-seeking consciousness. Therefore, the ontology of this research is a form of actionalism or dialectic materialism. On the other hand, this research is conducted by a human-construct of interpretation and the findings may be considered to be influenced by the researcher's subjectivity. However, relevant scientific instruments are employed to ensure the objectivity of the research. Furthermore, due to the extreme nature of pure subjectivity and pure objectivity, inter-subjectivity is the best and most realistic epistemological position in this research.

In order to develop an approach that remains relevant to ontological and epistemological considerations it is important to select an appropriate methodology. However, methodological development is highly dependent on the nature of knowledge. According to Dann et al. (1988), tourism knowledge was generated using a variety of research methods. Tribe (2006) reviewed the theory of knowledge-constitutive interests raised by Habermas (1978), and agreed with the argument that there was no interest-free knowledge and any human inquiry was motivated by one of three interests. First, technical interest seeks control and management; second, practical interest seeks understanding; and third, emancipatory interest seeks freedom from falsehood and emancipation from oppression. Each of these interests is served by a different methodological paradigm. Scientific positivism serves the technical; interpretive methods seek understanding; and critical theory seeks emancipation (Tribe, 2006).



### **5.3 Grounded Theory**

As mentioned above, methodology is crucial in making links between ontology and epistemology, and its successful development predicates effective research. There are various means of research design in relation to empirical data collection, and while none of the alternatives is perfect or equally applicable to all research questions and projects, they each have strengths and weaknesses. Although it can be a difficult process, it is necessary to decide which method is the most appropriate and robust to use in the research. In this research, Grounded Theory was selected as the methodology for linking ontological and epistemological concerns. The concept of Grounded Theory can be attributed to Glaser and Strauss (1967). They first proposed the idea of Grounded Theory, and they describe it simply as “the discovery of theory from data” or more precisely, a process that “. . . uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon” (Glaser and Straus, 1967:4).

More recently, Grounded Theory principles have been widely adopted in tourism research (Phillimore and Goodson, 2004). For example, Verbole’s (2000) policy-orientated study on rural tourism in Slovenia adopted an ‘actor perspective’ using Strauss and Corbin’s (1998) grounded theory procedures and technique developed by Glaser and Strauss (1967). Johnston (2001) used a comparative technique to examine processes in resort development and reveal features of epistemological concern in relation to Butler’s destination life cycle. Burns and Sancho (2003) used an ethnographic approach to interview key stakeholders and applied grounded theory principles to present oral data around six themes, using direct quotations to allow ‘authentic’ voices to speak for themselves.

There are two main reasons why Grounded Theory has been chosen for the purposes of this research: Firstly, Grounded Theory aims to discover new theoretical insights and innovations and shuns traditional logical deductive reasoning (Connell and Lowe, 1997). As discussed in previous chapters, there is a significant gap in examining PMSs of Chinese DMOs. This research is an emerging and thoughtful beginning for modern Chinese tourism studies. Thus, most effort is supposed to be made to generate plenty of possible resources to complete this research. Secondly, Grounded theorists set out to discover the basic social psychological processes that are contained within the basic social psychological structures that people have created as their means of survival (Connell and Lowe, 1997). In this research, the final theory is supposed to be developed by the contributions of the people who are familiar with the situation and structure of Chinese DMO operation. A certain amount of subjectivity is necessary to this research. Indeed, many academic social studies are highly involved with a series of subjectivity factors (Blackman et al., 2008). In order to research the PMSs that are adopted by DMOs which have special Chinese features, it is unavoidable to take into consideration cultural concerns. In other words, the cultural concern could be refined by the structure of feeling (Williams, 1977) and the experience of certain people (Thompson, 1963). Thus, the necessity of subjectivity for this research also points the methodology towards Grounded Theory.

Most tourism and hospitality research still relies heavily upon deductive research designs (Connell and Lowe, 1997) because they allow researchers to generate clear research objectives, to maintain a clear focus and to compare and analyse empirical data within explicit constructs. Generally, theory building is linked to an inductive approach, and theory testing suggests a deductive approach. Deductive approaches start with the more general and end up at the specific, while inductive approaches work in the opposite fashion, moving from

specific observations to broader generalisations and theories (Trochim, 2002). In this research, Grounded Theory guides the critical review of key literature for understanding PMSs, as shown in Chapter 4. That Chapter 4 compares the different models of PMS in DMOs worldwide as proposed by tourism scholars. From these comparisons, some similarities, and advantages and disadvantages, between the existing studies are identified. Furthermore, due to a lack of available evidence regarding tourism-related PMSs in China, there is no pre-existing model or certain theory that can be simply tested. Therefore, the best way to discover the reality and performance of PMSs in China tourism is by following an inductive approach. The reason why an inductive approach should be undertaken is because this type of approach can aid an understanding of meaning in complex data through the development of summary themes or categories from the raw data, something called data reduction (Strauss and Corbin, 1990). The final conclusion shows how it helps this research to claim a contribution to knowledge for understanding and developing an appropriate PMS for Chinese DMOs.

#### **5.4 Qualitative approach**

Both qualitative and quantitative research methods have been widely utilised in studies located in the current research area (Veal, 2006). Simply put, qualitative research involves analysis of data such as words (e.g., from interviews), pictures (e.g., video), or objects (e.g., an artefact), while quantitative research involves analysis of numerical data (Miles and Huberman, 1994). In other words, for the qualitative researcher, the motivating purpose is theory building, while for the quantitative researcher the intent is theory testing (Newman and Benz, 1998). Furthermore, qualitative approaches offer a great deal of potential, much of which remains largely untapped, for helping to understand the human dimensions of society, which in tourism include its social and cultural implications (Phillimore and Goodson, 2004). In this

research, a qualitative approach is mainly adopted, and there are three main reasons for this adoption.

Firstly, a qualitative approach was adopted because its wide acceptance and use in the field of tourism research (Dann, Phillips, Faulkner, Moscardo and Laws, 2001; Davies, 2003; Decrop, 2004). More recently the qualitative approach was no longer viewed as merely assistive or complementary to quantitative work (Phillimore and Goodson, 2004). Indeed, it has become increasingly valued as thinking about how research has developed, where research has increasingly come to be viewed as more of a process than an activity, with discussions about the appropriateness of method being superseded by concerns with methodology (Bryman and Burgess, 1994).

Secondly, a qualitative approach was adopted because of its specific and special strengths. However, the use of qualitative methods is not value or issue-free; long debates have centred on the exact nature of qualitative research (Hollinshead, 1996, 1999; Jamal and Hollinshead, 2001; Riley 1996; Riley and Love, 2000). Indeed, over the past few decades some authors have questioned whether qualitative research is an adequate tool to help ascertain the reality (Phillimore and Goodson, 2004). Several researches stated the view that qualitative research might oversimplify what is in reality much more complicated (Silverman, 2000). Some criticism even saw qualitative research as a “soft, non-scientific and inferior approach to studying social life, and one that is often seen as useful only when accompanied by, or as a precursor to, quantitative techniques” (Phillimore and Goodson 2004:4). In fact, the emphasis of a qualitative approach is to “study things in their natural settings and interpret phenomena in terms of the meanings people bring to them” (Phillimore and Goodson 2004:5). As also discussed previously, the adoption of PMSs in Chinese DMOs is almost unexplored. In this case, qualitative data

is more direct and valuable to give the researcher the real insight into their operation. Thus, qualitative data is much more appreciated in the research.

Thirdly, a qualitative approach was adopted mainly because of the realities of the context in which the research was to be conducted. In this research, due to limited evidence on DMOs in China and little discussion regarding their PMSs, hypothesis testing, conventional survey research measures and sector-wide statistics are insufficient. Thus, this research adopted a qualitative research methodology and employed an inductive approach in order to investigate DMOs in China, allowing subsequent theory-building in relation to the development of a relevant PMS model.

## **5.5 Research process**

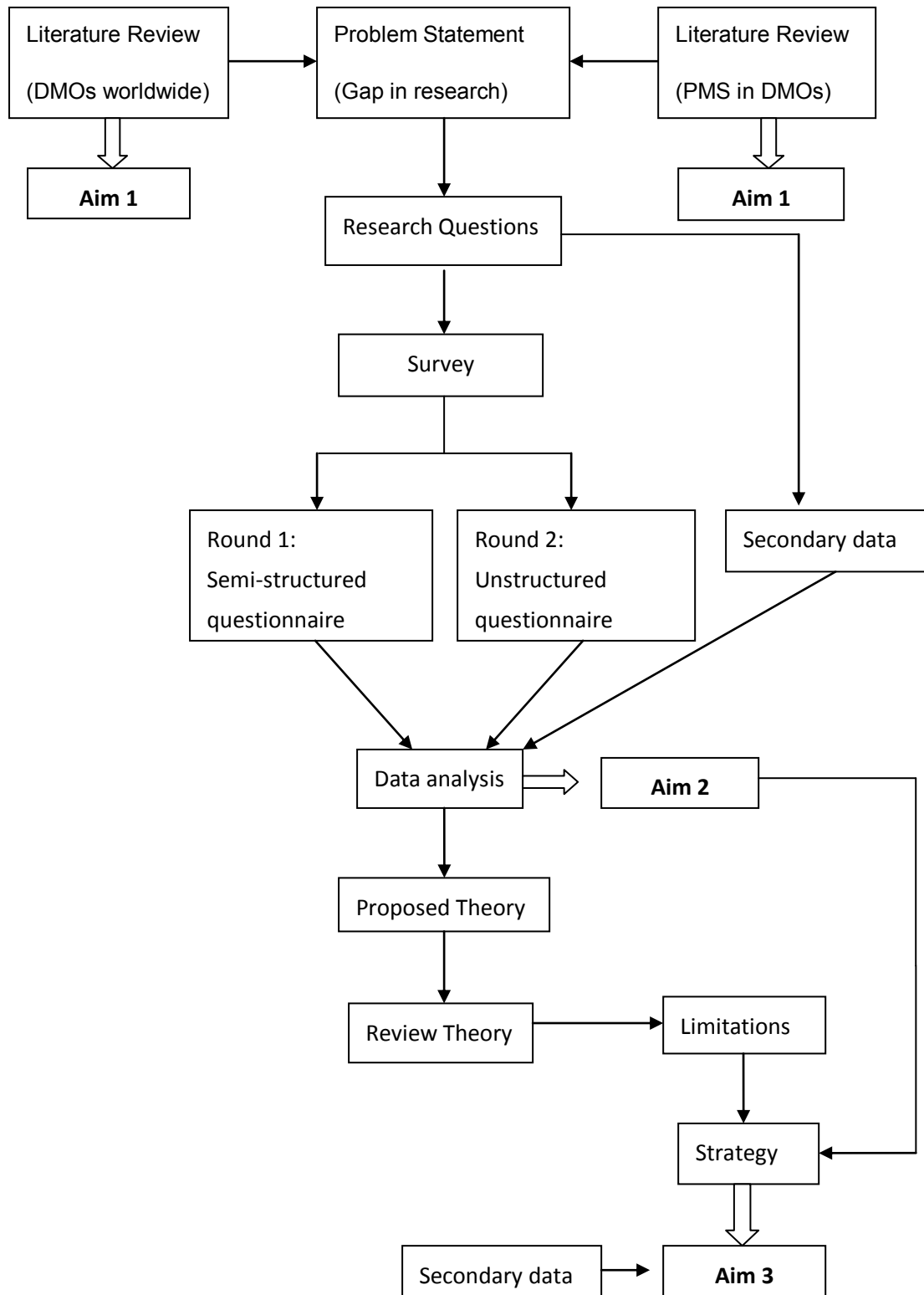
Figure 5.1 provides an overview of the research process in this study. Aim 1 was designed to provide insight into the general situation of DMOs worldwide, and to identify several outstanding relevant evaluation models within the current tourism industry. Aim 1 was to be achieved through a series of literature reviews, and was highly dependent on secondary resources. Prior to beginning primary research activity, the study focused on defining and framing the research question. The research problem was a part of the conceptual framework and was considered as a key task in designing the study. It identified “something that is going on in the world, something that is itself problematic or that has consequences that are problematic” (Maxwell 2005:34). A research problem helps to show people why the research is relevant, important and necessary. Thus, the process of identifying the research problem in this thesis began by conducting a comprehensive review of the literature on the area of interest. A variety of different resources were used in this research, including library database searches, e-Journals and other electronic sources. However, the most imperative step in any literature search

was to select relevant keywords. As Fink (1998) suggested, choosing appropriate keywords or search terms was absolutely critical to the process. These search terms were normally based upon words, phrases and concepts that surround the central themes of a research area. Thus, several keywords used in this research were 'Destination Management Organisation', 'Destination Marketing Organisation', 'Performance Measurement System' and 'Evaluation System'.

Aim 2 related to DMOs in China, and their PMSs. This entailed a similar research approach to the one just discussed, except for the crucial difference relating to the primary nature of the data collected using the questionnaire survey. There were two rounds of questionnaires, which were semi-structured and unstructured respectively. The reason for using these two rounds is to ensure the data is sufficient and valid. A more detailed discussion regarding the adoption of questionnaire survey is presented in the following sections.

Finally, in order to achieve Aim 3, the proposed theory was refined by the findings of Aim 2, and strategies were suggested due to the features of Chinese DMOs. Outside of the influence of findings from Aim 2, a large number of secondary resources were thus taken into account. The periodical reports and statistics generated by DMOs were the first consideration. Secondly, their official websites were also used because they often include more timely and accurate data.

**Figure 5.1 Research process**



(Source: the author's own data)

## **5.6 Ethical considerations**

Ethical issues have been recognised as an ongoing concern during any research process (Taylor and Bogdan, 1975). One key intention of ethical considerations is to try and protect the rights and safety of the research participants (Fistein and Quilligan, 2012). Nowadays, many academic institutions have formulated principles for deciding the morality of researchers' behaviour in order to produce more ethical research (Polonsky, 1998). Within some universities, researchers, students and staff must complete detailed applications to be reviewed by an independent ethics committee before research can be undertaken (Polonsky, 1998). Such considerations meant that, prior to the commencement of data collection, an Application for Ethical Approval of Research under the Faculty Research Ethics Committee of the University of Plymouth was submitted for ethical approval for this thesis. Such a process helps the researcher to consider the extent to which their intended research process will account for any potential ethical issues. Thus, it is essential to carefully examine the potential for harm to arise and if it is identified, the mechanisms that can be put in place to mitigate its impact. In this context, several considerations have been summarised and reviewed under the guidance of the university requirements:

Firstly, the participants in the research have the right to fully know and clearly understand what they are invited to take part in. It is necessary to inform every participant of the purpose of this research at the very beginning of contact. Thus permission was gained through initial contact by email; this was when the outline content of each questionnaire was discussed, thus ensuring that there were no hidden features within the research process. In order to increase the response rate, and to inform respondents that the author comes from an official university, a university email account was used to contact all participants.



Secondly, the researcher is supposed to display the openness and honesty of research to the participants. Through the previous process of informed consent, openness and honesty shall prevail, as it is the opinions of these individuals on specific operation matters within DMOs which was at the forefront of the investigation. No personal emotion should be, or was, involved in this project. The purpose of the research is outlined from the beginning when initial contact is made.

Thirdly, all participants in this research are voluntary, and are given the right to withdraw at any stage of the interview process. Every participant is invited to take part in the research with a clear understanding they have no obligation to do so. Thus appreciation is given for those who would like to assist, and there is no disparagement for those who wish to withdraw.

Fourthly, the researcher should keep any harmful potential far from the participants. Due to the nature of this research, two rounds of questionnaire are conducted by email. No stressful or hazardous conditions are created in order to give respondents enough time to finish the questionnaires with a relaxed mood. Thus only a few measures are needed to provide the participants with protection from harm.

Fifthly, the researcher has an obligation to brief the participants at each research development stage. Briefings took place upon initial contact and at the start of each interview, followed by full debriefing at its conclusion. All respondents are aware of the nature and content of the research.

Sixthly, the researcher should bear in mind issues of confidentiality and anonymity during the research process. The issues of confidentiality and anonymity are very important when the individuals to be interviewed are

sharing information about their workplace. Any information they divulge has the potential to impact upon their work if overly negative. Hence, subjects may refuse to participate in the research or give false information. Due to the nature of this research, divisional managers and high-level staff were considered as the research target. Thus, the issue of anonymity was central to the ethical conduct of this research. During initial contact, participants were assured that their participation in this research would remain confidential, and that private information such as their name and workplace would not be published without their permission. This meant explaining to those taking part that no personal information would appear in the final thesis if they did not wish it to do so. In order to ensure confidentiality, the names of the respondents remained separate from the transcripts of each interview. The researcher ensures the name and data for each respondent do not appear side-by-side at any stage of the research. However, it is possible that the individual could be identified through the segmented nature of their occupational structure. That said, this identification would be vague and their true identity would not be easily established. Again, this is with the caveat that some respondents might allow their information to be freely used without consequence.

## **5.7 Research development**

### **5.7.1 Data collection**

As mentioned before, the research is designed upon a two-stage questionnaire survey. In fact, the questionnaires survey is a common way of collecting qualitative data, and can also be used to generate quantitative data (Veal, 2006). In the research, the first questionnaire focuses on collecting both of the quantitative and qualitative data while the second questionnaire only concerns the further consideration and explanation with qualitative data as regards the result in the first questionnaire. Thus, the research is mainly considered to be conducted in a qualitative way.

### **Stage 1: Semi-structured questionnaire**

According to Gibson and Miller (1990), it was important to clearly reflect the aims of the study to the participants in the beginning of a multi-stages questionnaire survey as participants could decide the issues that were to be included for the discussion in subsequent stages. Thus, the first stage of questionnaire in the research was designed as a semi-structured questionnaire and aimed to gather general information regarding China's DMOs' functions and PMSs and also to provide a holistic view of this study to participants.

In the research, the first stage questionnaire was designed based on a prior study by the UNWTO (2004) on DMOs worldwide. This survey is widely considered as a benchmark for tracking the development and activities of DMOs on a regular basis. As mentioned previously, in reviewing this report of UNWTO (2004), it was established that only one DMO from the Chinese mainland had participated. Thus, UNWTO (2004) suggested that future studies should focus on a broader range of national and regional organisations, as well as looking in more depth at individual countries. Given the specific context of where the research of UNWTO (2004) was conducted, the questionnaire in their research was modified in order to suit the aims of this research more directly. Thus, the questionnaire survey of the research was aimed at China mainland's DMOs only with particular concern of the PMSs they adopt.

The semi-structured questionnaire used in this research comprised a mixture of closed and open questions. The use of semi-structured questionnaires enables a mix of qualitative and quantitative information to be gathered (Veal, 2006). Following the recommendations of Churchill (2001), the first few questions were easy to understand and relevant so as to motivate the

respondents to begin. The more difficult questions were in the middle and the last few questions were of high interest to encourage the respondents to complete them. The questionnaires were phrased with clear instructions at the beginning of each section and formulated in such a way that each section supported the underlying objectives of the research. Thus, the questionnaire was designed with three distinct sections.

The first section regarded general information concerning the participants and the organisation they work for. The second section concerned the structure and roles of the organisation. The last section focused on the PMS implementation in their organisation. Except for the questions regarding roles and the performance measures, the questions were multiple-choice and answered using rating scales. Each question in the questionnaire was considered and decided by previous studies' contributions and shows in Table 5.3. Hence, the first stage of questionnaire was dominated by closed-ended questions. The closed-ended questions allowed the participants to choose from either a pre-existing set of answers, (multiple choice) or ranking-scale response options.

**Table 5.1 The source base of the first questionnaire**

	<b>The content</b>	<b>Academic sources</b>
<b>Section one</b>	Participants' profile	-
<b>Section two</b>	The functions of DMOs	UNWTO (2004); CNTA (2011); Zou (2008); Pike (2004); Ritchie and Crouch (2003); Cooper et al., (2008);
<b>Section three</b>	PMS adopted by Chinese DMOs	Tochia and Quagini (2010); Pike (2004); Presenza et al., (2005); Bornhorst et al., (2009)

(Source: the author's own data)

In the questionnaire the Likert-style format was employed to determine the degree of importance of various roles of DMOs, and their different performance measures. This degree of importance was demonstrated on a seven-point scale. Such Likert scales seem to be easy to construct and are the most preferred rating scales in the social sciences (Jamieson, 2004), particularly in tourism (Lankford and Howard, 1994). It is not counter-intuitive to see quantitative data collection as part of a qualitative-dominated study. These questions allow the determination of various different variables that will be useful during subsequent analysis. In such an application, a consensus is not required; rather, if disagreement exists about the value of any variable, extremes can be tested in quantitative models to determine whether or not the difference has any important significance (Gordon, 2009). In addition, the questionnaire was designed in Chinese, as the key lesson of UNWTO (2004) was that optimal response rates are achieved by using native language(s).

### **Stage 2: Unstructured questionnaire**

The second stage of the questionnaire aims to ask respondents to reassess their opinions from the first round, and provide detailed explanations for their positions. For this purpose an unstructured questionnaire was conducted. Unstructured questionnaires attempt to encourage free thinking to generate ideas, theories and issues (Gutierrez, 1989). As Ferdinand (2006) noted, unstructured questionnaires could be used for guiding conversations more successfully than structured interviews, and can often be thought of as a topic guide. This guide consists of a list of questions with an apparent order, but that order is not so rigid that the interviewer has to slavishly follow it in every detail (Ferdinand, 2006). This type of questionnaire is used in qualitative research for in-depth interviewing, and they form the basis of many studies into technical or narrow markets.

In order to address the limitation introduced by the use of closed-ended questions in the first stage, the second stage of questionnaire data collection consisted of 11 open-ended questions. Open-ended questions allow respondents to include more information, including feelings, attitudes and understanding of the subject (Salomon and Cairns, 2011). Thus, open-ended questions offer the chance for researchers to better access the respondents' true feelings on an issue (Geer, 1988). Closed-ended questions, because of the simplicity and limit of the answers, may not offer the respondents choices that actually reflect their real feelings or opinion (Geer, 1988). Neither do they allow respondents to explain that they do not understand the question or do not have an opinion on the issue. In light of this more explorative stance, the questions in the second stage questionnaire mostly begin with words such as "How" and "Why", or phrases such as "Tell me about...." The purpose of this style of question is to enable the participants to provide richer, more valuable and insightful responses. Outside of demographic and personal information gathered at this stage, the questions are generally divided into two main categories. The first regards the roles the organisation performs and the second one concerns the PMS that they implement.

### **5.7.2 Research participants**

As also discussed previously, little attention had been paid to the area regarding Chinese DMOs and their PMS adoption. In this case, this research provides the most important basis for future relevant studies. Thus, the panel of research participants is crucial to the success of the research as their contribution highly determines the accuracy of the research results. Since the results of the research depend on the knowledge and cooperation of the participants, it is essential to include persons who are likely to be able to contribute valuable ideas. Thus, the choice of research participants must be carefully constructed so as to achieve the breadth of expertise, size and

composition desired (Bramwell and Hykawy, 1999; Day and Bobeva, 2005). Therefore, the first issue which surrounds the panel selection process involves the decision as to how to define a 'suitable' participant in the context of a particular study.

The selection of 'suitable' participants in this research was determined by a number of factors. Firstly, the study was based upon the Chinese tourism industry, and as such this provided the sampling frame from which to draw suitable candidates. However, given the breadth of industrial, governmental, educational and academic experts within the industry, selection was focused upon those individuals involved with the inner management system of DMOs and their relevance to PMS. The participants in this study therefore had a comprehensive and in-depth knowledge on their inner operation. In this case, the leaders of DMOs were firstly considered as the target of this research. However, leaders are normally very busy people and they may be unable to commit to the whole research process fully. In order to ensure the response rate and success of the research, high-level staff members who were familiar with DMOs were also considered as interviewees.

### **5.7.3 Research instrument**

There were several difficulties in making contact with relevant persons through official organisational websites. This meant that it was necessary to identify alternative routes through which to find and contact those individuals that would inform this research. The solution in this instance was to draw upon the ever-expanding resource of social media. Though a relatively recent phenomenon, social media are a dominating force in connecting public, business and government entities to one another (Mangold and Faulds, 2009; Kaplan and Haenlein, 2010; Culnan, McHugh and Zubillaga, 2010). In tourism, social media technologies have resulted in the establishment and growth of a

myriad of websites that promote destinations and share tourists' experiences online (Munar, 2012).

Social media is a new form of online media that promotes participation, openness, conversation, community and connectedness (Mayfield, 2008). There is evidence that an increasing number of organisations are making more use of social media marketing, including companies (Barnes and Mattson, 2009b), charities (Barnes and Mattson, 2009c) and universities (Barnes and Mattson, 2009a). In the tourism industry, social media is a new agent for developing and managing tourism information (Xiang and Gretzel, 2010). Tourist-generated content competes with the DMOs that have traditionally been providers of destination-related information and knowledge (Schmallegger and Carson, 2008). Tourism organisations are aware of this challenge, and also of the opportunities to use tourist-digitized content for their own purposes and their own destination brands (Ayeh, Leung, Au and Law, 2012). Thus, in this expanding digital age increasing numbers of DMOs have developed strategies and initiatives to achieve influence in these new technological platforms.

The specific social network used in this research was Sina Weibo. Sina Weibo is a Chinese microblog operated by Sina Corp, China's biggest web portal (Shi, 2012). Due to the large Chinese population and national restrictions on international connectivity, the number of Weibo users is larger than those on Twitter in China. By the end of May 2011, the registered number of Sina Weibo users was 140 million, and this number had increased to 200 million by the beginning of August 2011 (Ye, 2011). The impressive thing here is that Weibo was only established in August 2009. The great number of registered users shows its total dominance over other Chinese social networking sites. With the developing English version of Weibo, there was the possibility that it might be



intended to compete globally with Twitter (Fletcher, 2011). The main strength of Weibo is its verification function, similar to that on Twitter, but actually introduced earlier on the Chinese iteration. Whether or not an account has a 'V', meaning 'verified', makes a huge difference; 'V' represents authoritativeness and is a status symbol for your account (see Figure 5.5). Standard Weibo verification displays an orange badge and the user's professional details as below. The aim of the verification programme is to create a real-identify social network (Shi, 2012). Based on the information provided under the orange badge, the user can easily determine the status of a person who is verified under the real name system. By the end of March 2011, there were 60000 verified accounts under the real name system, with 5000 companies and 2700 media organisations having verified Weibo accounts (Bishop, 2011)

**Figure 5.2 Sina Weibo logo and verification display**



(Source: Sina Weibo, 2013)

In China, the application of social media generates increased attention by DMOs as well. According to the website News of China Economy Daily (Yang and Xu, 2011), the CNTA organised a national level conference about using Weibo to develop tourism destinations. By 8<sup>th</sup> July 2011, 296 tourism organisations had opened verified Sina Weibo accounts. An increasing

number of leaders and high-level staff of tourism organisations have also opened personal verified Sina Weibo accounts. Weibo has been acknowledged as a new promotion tool for tourism destination marketing (Yang and Xu, 2011). As Yang and Xu (2011) stated, there were several advantages to this practice: firstly, Weibo helped destinations create a positive image with a large number of Weibo users. Weibo users were prospective tourists whenever they make the decision to travel. Due to the huge number of Weibo users, the use of Weibo by these agencies could build good foundations and impressions with potential tourists (Yang and Xu, 2011). Secondly, the accessible format of Weibo made it convenient and quick to give potential tourists the most up-to-date travel information and destination promotions (Yang and Xu, 2011).

Many commentators consider Sina Weibo to be the Facebook of China. More accurately, it can be described as a clone of Twitter. The main difference between these two giants of social networking relates to communication behaviour. Facebook appeals to people looking to reconnect with old friends and family members or find new friends online; Twitter on the other hand, encourages you to grab an idea in bite-size chunks and use updates as jumping off points to other places, or to just let others know what you're up to at any given moment (Thornton, 2009). Because of a free format of messages and an easy accessibility of microblogging platforms, Internet users have tended to shift from traditional communication tools (such as traditional blogs or mailing lists) to microblogging services (Pak and Paroubek, 2010). On Twitter you can follow lots of people and brands that you are interested in, while on Facebook you normally follow only people you really know about (Scoble, 2009). Thus, the biggest advantage of Twitter is the ability to reach anyone, from your closest friend to the President of the United States. The same advantage applies to Sina Weibo, where there is open access to anyone,

notwithstanding exceptional instances related to blocking unwanted or abusive users.

During the research, the researcher sent an inquiring message to ask about the willingness of potential people to join in the research via their Sina Weibo account. If they were willing, they left their email address as a reply for further connection. Hence, several email addresses were gained, and email was used to connect with participants and also to facilitate the whole process of data collection. The reasons for using email for the research are as follows. With the advanced development of technology, electronic mail affords many advantages to both researcher and participants (Skulmoski, Hartman and Krahn, 2007). The unique benefit of using e-mail is that it can save significant amounts of time for both researcher and participants. Quick turnaround times help to keep enthusiasm alive and participation high (Skulmoski et al., 2007). Another benefit of electronic mail is that the raw data is already in a digital format which eliminates the tedious task of transcription (Skulmoski et al., 2007). Indeed, in the earlier study of Witkin and Altschuld (1995:204), they noted that electronic technology provided an opportunity for researchers to take advantage of “the storage, processing, and speed of transmission capabilities of computers” and “the potential for rapid feedback.” Furthermore, the use of email as iteration mode also means that confidentiality is assured. Anonymity is beneficial to reduce the negative issues associated with group interaction (Gordon, 1994) and to enable a group of individuals with no prior relationship to communicate effectively (Akins et al., 2005).

#### **5.7.4 Pilot study**

The term ‘pilot study’ refers to mini versions of a full-scale study. They can also be called ‘feasibility’ studies, “small scale versions, or trial runs, done in preparation for the major study” (Polit, Beck and Hungler, 2001: 467). On the

other hand, a pilot study can also refer to the pre-testing or 'trying out' phase of a particular research instrument's development (Baker, 1994). The big advantage of a pilot study is suggested in a cautionary statement from De Vaus (1993: 54): "Do not take the risk, pilot test first." A pilot study can help a researcher avoid the possible failure of the forthcoming research and warn them whether proposed methods or instruments are inappropriate or too complicated before they go further. The use of pilot studies in this research provided useful information and feedback, which led to the rewording of some questions, and hence produced further refined questionnaires. In line with Moser and Kalton (1989), these pilot studies had important contributions to the improvements of the questionnaires and increased the efficiency of the enquiry.

In the research, pilot studies were conducted during the initial two weeks of the data collection period in August and September 2011. The pilot studies were conducted with the first ten respondents. The first questionnaire began by asking, "Whether the questionnaire is suitable and appropriate to the DMO you work for?" and "if not very suitable and appropriate, please write your recommendations down". 50% of respondents showed a neutral view on the questionnaire fitness and 40% of them indicated the questionnaire was suitable, while 10% thought it was not appropriate. According to their comments, 40% of them reflected that the questionnaire may be too academic for their DMOs. 30% of them noted that the questionnaires covered too many things outside their remit. 30% of respondents did not leave any message. The questionnaire was formulated based upon a general worldwide theoretical context, and the viewpoints given in the questionnaire were adapted from the contributions made in the existing literature. Due to the fact that ten participating DMO representatives worked at city local level organisations, some of the options in the questionnaire proved overly broad in relation to their

limited roles and performance measures. The second stage of questionnaire was followed up, but there were only six respondents left in this round. An extra question related to their overall judgement of the 11 main questions: "Do you have any recommendations regarding the above questions?" No one provided anything under this question; however, they all carefully answered the other 11 questions. Thus, no recommendation might show a positive attitude towards these questions. The findings from these two rounds of questionnaire survey confirmed that the structure was appropriate and the methodology was suitable to achieve the aims of the research and therefore, with only minor amendments, the actual questionnaire survey was ready to commence.

#### **5.7.5 Sampling issue**

Scholars in research methods for social science have agreed that one of the first questions that confronts the designer of a new study is 'how large should a sample be?' (Malim and Birch, 1997; Moser and Kalton, 1989; Fowler, 1995; Danile and Terrell, 1995; de Vaus, 2002). Sampling is a multistep process which begins by defining the population under investigation (Veal, 2006). The population is the entire number of subjects that are the focus of a piece of research (Veal, 1997). However, in order to select an appropriate sample one must first define an accurate sampling frame (Alvarez and VanBeselaere, 2003). A sampling frame is an objective list of the reachable population from which a sample can be drawn (Denscombe, 2007). Trochim (2006) referred to the population as the 'theoretical population', and the sampling frame as the 'accessible population'. As mentioned earlier, Sina Weibo was selected as the medium through which to identify related experts from Chinese DMOs. Thus, the accessible population come from the sampling frame of Sina Weibo in the research.

Once a comprehensive sampling frame has been compiled, an appropriate sampling method can then be applied. There are two general types of sampling methods, probability sampling and non-probability sampling. Probability sampling involves selecting a random sample from a list of the population (Andrews et al., 2003). Every member of the population has an equal likelihood of being selected for inclusion in the sample. There are different types of probability sampling, including simple random sampling, systematic sampling, stratified sampling, probability proportional to size sampling, intercept sampling, and cluster or multistage sampling (Teddlie and Yu, 2007; Lohr, 2010). This is still the most popular method for choosing large representative samples for research within the area of social science (Veal, 1997; Kemper, EStringfield and Teddlie, 2003). Non-probability sampling, on the other hand, is the most appropriate method when an accurate sampling frame is not readily available (Sheehan, 2002). There are a number of different types of non-probability sampling, including convenience sampling, snowball sampling, self-selection sampling, and judgmental sampling (Gunn, 2002). This phase of the research employed a combination of both probability and non-probability sampling in the different tiers, and this was mainly dictated by the availability of an accurate sampling frame and the research instrument employed. The sampling method used in each of the tiers is now discussed.

In the research, potential 'suitable' participants were located in Sina Weibo by conducting a search using relevant keywords. This action was implemented based on cluster sampling. Cluster sampling is considered useful for surveying employees in a particular industry, where individual companies can form the clusters (Turk and Borkowski, 2005). The first task was therefore to create different clusters by determining several keywords. The words 'destination management', 'tourism administration', 'scenic spot' and 'holiday village' were searched against Sina Weibo verified accounts in order to find the official

Weibo accounts of Chinese DMOs. Thus, different tourism departments identified different clusters. In order to ensure the reliability of the people who were found through these means, only verified accounts were considered for selection.

Cluster sampling normally involves two distinct stages (Thompson, 1991). In the second stage, the subsets of elements within selected clusters were randomly selected for inclusion in the sample. Thus, each potential participant was sent a short message on Sina Weibo explaining the intentions of the research and why they had been selected to take part. They were asked to respond with their email addresses if they were willing to participate in the research.

In addition, participants were also asked to introduce other people that they knew of who also worked for DMOs. This decision was made by the consideration of snowball sampling. Snowball sampling uses the knowledge and networks of initial subjects to reach further individuals who would be of benefit to the research (Noy, 2008). Given the existing contact between these people it makes it more likely that others will participate. This process was repeated in order to obtain a sufficient number of subjects for the research (Noy, 2008).

The main reasons for choosing cluster and snowball sampling related to the available budget and time of the researcher. As Veal (1992:156) notes, "Ultimately then, the limiting factor in determining sample size will be the resources available". In other words, considerations towards accuracy and validity are not the only factors in working out sample size; cost and time are also central to decisions made during the research process. Hence the final sample size will be a compromise between cost, time, desired or acceptable

precision and the type of analysis used for the research (De Vaus, 2002). The biggest benefit of both sampling methods is to reduce sampling time and cost.

#### **5.7.6 Research operations**

The initial collection of data started at the end of July 2011. At the beginning, 186 messages were sent to potential participants to enquire about their willingness to take part in this research via the medium of their Sina Weibo account. The initial message briefly introduced the background of the researcher and the research. The aim of this questionnaire was mentioned in order to highlight the importance of this research. Also raised was the request that the recipient of the original email introduce other potential participants that they may know. The potential participants were asked to leave their email address if they would like to join in this research. From this first stage, 121 email addresses were collected. And it was to these 121 email addresses that the semi-structured questionnaire was sent in early September 2011. From the 121 semi-structured questionnaires that were sent out, the researcher received 93 replies that contained a fully completed questionnaire.

The second stage of data collection began in mid October 2011. Another round of request messages, containing an unstructured questionnaire, was sent to the same 121 email addresses. A short message was provided to acknowledge their previous participation, and to inform them of the aim of the second round of questionnaires. The second round of questionnaires was designed for literal answers. By mid December 2011, a total of 34 questionnaires had been collected.



In total 93 people working in DMOs took full part in the first questionnaires; these people, and their DMOs, provide the main substantive dataset for this research. The second stage of the research, using the second questionnaire, had a lower number ( $n = 34$ ) of respondents; it was at this second stage that qualitative data was collected. There were 13 participants who joined in both stages of the research, and 21 participants who only joined the second stage of questionnaire/research. The response rate was 50% (93 out of 186) in the first stage of the research questionnaire, and 28% (34 out of 121) in the second stage of the research questionnaire.

According to the previous discussion, the expected findings relating to a DMO's function and PMS may vary depending upon differences in the level and nature of the DMO. The findings of the research might also differ by department, as each DMO section has their specific work focus or objectives. However, the size of organisation might determine the degree of specification in their division. More specific work descriptions may be identified through the detailed role played in the whole group, and this could inform a corresponding PMS in practice. Thus, the evidence from the second questionnaire was added after the presentation of quantitative data in order to support and explain the findings. The results from this research will be compared with those from existing studies, and further discussion will also be provided. On the premise of ethical consideration, all the data was honestly presented on the condition of anonymity. As discussed in the previous sections, there was no mention of the respondent's personal information; the features of participating DMOs were used instead.

### **5.7.7 Data analysis**

Data analysis commenced with a large unstructured collection of raw and mass data. The method of data analysis and results reporting are directly

related to the type of questions used in the research. Therefore, researchers need to apply appropriate analytical techniques. As mentioned earlier, the data involved in this research are mainly qualitative, with a small portion of quantitative data. Thus, data analysis should apply different approaches with respect to the specific nature of data. In this research, the Statistical Package for the Social Sciences 20 (SPSS 20) computer program was used to analyse quantitative data; this is because SPSS is a comprehensive and flexible statistical analysis and data management system. Moreover, SPSS can generate tabulated reports, charts and complex statistical analyses (De Vaus, 2002).

SPSS 20 was used for analysing the quantitative questions regarding the importance of functions and performance measures of DMOs in the first questionnaire. The research aims to investigate the effectiveness of the PMS that are adopted by specific DMOs in China. Due to the nature of DMOs, as well as the context in which they were studied, there were many differences and variations in the responses collected. The original approach taken towards data analysis was factor analysis, in order to reduce the complexity of data. However, this approach was not taken forward due to the inherent variety in the final database. Finally, the mean value of quantitative data was used to discuss the findings with a radar chart approach.

The radar chart approach is considered to be a special analytical tool that can effectively measure the difference between various indicators at the micro-level, and is also widely adopted in performance evaluation studies (Mosley and Mayer, 1999; Li, Li, Yang and Zhou, 2010; Harding, Kaczynski and Wood, 2012). Each of the functions and performance measures for Chinese DMOs can be displayed as an axis in the radar chart. The radar chart approach graphically shows the size of the gaps among different natures and

levels of Chinese DMOs in the research. The radar chart approach makes the significant contributions of being able to visibly compare and emphasise the functions and performance measures for different natures and levels of Chinese DMOs. The most obvious advantage of the radar chart approach is that it provides a simplified presentation of multiple performance of functions and performance measures for different natures and levels of Chinese DMOs and identifies the strengths and weaknesses of each case. The radar chart can indicate the weak aspects which need further improvement (Clarke and Garside, 1997). The pre-planned research model is supposed to be refined according to the results of the radar chart. Therefore Chinese DMOs can see the weakness in their PMS, and can then formulate best practices to improve their performance. However the radar chart approach, when integrated with particular mean value, still lacks richness in the research and should be supplemented by additional materials (Harding et al., 2012). Thus, the qualitative data was also collected and analysed to further support the research.

A traditional approach to the effective interrogation of qualitative data is that of content analysis (Berg, 1998). Content analysis is a methodology that is based heavily on secondary data (Weber, 1985). Content analysis merely focuses on literal data and aims to identify, organise, index and retrieve data (Berg, 1998). Content analysis allows the researcher to test theoretical issues to enhance the understanding of the data (Elo and Kyngäs, 2008). Content analysis is arguably one of the fastest growing methods in social research (Neuendorf, 2002) and is also widely applied in tourism and hospitality studies (Bowen and Sparks, 1998; Busby and Fiedel, 2001; Tian et al., 2011). Krippendorf (1980:21) defined content analysis as “a research technique for making replicable and valid inferences from data to their context.” Content analysis is often used as a companion research instrument in multi-method studies,

employing diverse methods to enhance the validity of results by minimising bias, although it can clearly be used as a research tool in its own right.

Content analysis offers several advantages to researchers who consider using it. In particular, content analysis is the study of recorded human communications and it can provide valuable historical/cultural insights over time through analysis of texts without any limit of culture or geography (Berelson, 1952). Because the targets of this research were Chinese DMOs at different levels, the difficulty might be raised in reaching each possible DMO. China is a vast country, and the application of content analysis is a great help in achieving the final goals of this research. For example, by using content analysis the researcher has the advantage of saving the costs of travel whilst carrying out the research. Another advantage of the method is that large volumes of textual data, and different textual sources, can be dealt with and used in corroborating evidence (Elo and Kyngäs, 2008). Due to the research participants coming from various natures and levels of DMOs in China, differences would be expected to exist in each place. In order to integrate properly the various sources of information, content analysis helps the organising and retrieving of the data into further corroborating evidence.

While the advantages of content analysis are numerous, the main drawback is the potential influence of the researcher. Researcher bias has the potential to constrain decisions on data collection, analysis and interpretation in favour of the research hypothesis (Neuendorf, 2002). Therefore, it is necessary to pay particular attention to reliability. To aid this process, the software package NVivo 9 was used to analyse qualitative data. This program provides many benefits to the analysis of qualitative research, and is especially effective as a tool for managing the clerical tasks of qualitative research (Bringer, Johnston and Brackenridge, 2006). NVivo can also be used to analyse interviews, field

notes, textual sources, and other types of qualitative or text-based data. Following the main tenets of grounded theory, this research started with a broad focus (Bringer et al., 2002), which narrowed as more data were collected and analysed. The program allows for open coding, axial coding (making links between codes), hyperlinks to non-textual data such as audio clips or photographs, coding according to demographic information, and the visual exploration of ideas and the links between them using a modeller.

### **5.8 Validity and Reliability**

Validity and reliability have been referred to above, and it is important to attend to their impact on the research process in more detail. Validity is the degree to which the results of a piece of research accurately reflect the situation being researched (Babbie, 1998). Simply put, validity is “the extent to which the information collected by the researcher truly reflects the phenomenon being studied” (Veal 2006:41). There are two broad categories of validity: internal validity and external validity. Internal validity refers to whether a study can be replicated (Willis, 2007). External validity, on the other hand, concerns itself with the degree to which the results of a particular study can be generalised to other subjects outside of the sample (Graziano and Raulin, 2006); in other words, is the sample representative of the entire population? However, one must take care as attempts to increase internal validity by controlling external variables may in turn have a detrimental effect on external validity (Dijst, Farag and Schwanen, 2008). Generally, validity refers to the methodological soundness or the appropriateness of the instruments used (Hashim et al., 2007).

Due to the research instrument being characterised by two rounds of questionnaires survey, it is of critical importance to ensure the content validity

of the questionnaire content itself. Content validity of questions is important in order to meet the research objectives. In this respect, a valid measure “is one which measures what it is intended to measure” (De Vaus, 2002:55). To increase content validity, Veal and Ticehurst (2000) suggested the following procedures:

- (1) Conduct an exhaustive search of the literature for all possible items to be included in the scale
- (2) Solicit expert opinions on the inclusion of items
- (3) Pre-test the scale on a set of respondents similar to the population to be studied
- (4) Modify as necessary.

In order to achieve a reasonable level of content validity, the following three steps were carried out:

Step 1: A review of the literature was undertaken first, to determine the appropriate concepts to be included, and, secondly, a previous survey by the UNWTO (2004) was selected as a basis for this research. The research utilised a multi-disciplinary literature review. The questions relating to DMO roles are sourced from Pike (2004); Ritchie and Crouch (2003); Cooper et al (2008); CNTA (2008); and UNWTO (2004). The questions of PMSs of DMOs are sourced from Kaplan and Norton (1996); Tochia and Quagini (2010); Pike (2004); Presenza, et al (2005); Bornhorst et al (2009); Simmons et al (2007).

Step 2: The questionnaires were submitted to two PhD supervisors for comments and approval.

Step 3: Pilot studies were conducted during the initial two weeks of the data collection period from July to October 2011. The pilot studies were conducted with the first ten respondents. The findings from these two rounds of questionnaire survey confirmed that it was appropriate, and that the methodology was suitable to achieve the aims of the research; therefore, with only minor amendments, the actual questionnaire survey was ready for commencing.

Having accounted for issues relating to validity, the concept of reliability is also critical in research, because if the measures are not reliable the study cannot produce meaningful information (Greenfield, 2002). Reliability is “the extent to which research findings would be the same if the research were to be repeated at a later date or with a different sample of subjects” (Veal, 2006:41). A reliable research study should produce consistent results regardless of who is conducting the study, what is being measured or the time that the measurement is occurring (Backstrom and Hursh-Cesar, 1981). It is possible to have a high degree of reliability with a low level of accuracy or validity, but in order for a piece of research or a research instrument to be valid it must also be reliable (Keller, 2000). Therefore, reliability is a subcomponent of validity and must first be attained if validity is to be achieved (Willis, 2007).

Throughout this research a consistent and conscious effort was made to ensure that a high level of reliability was accomplished. The research was conducted in Chinese in order to ensure each question was clearly presented in order to avoid ambiguity, bias and compound events, as well as being presented at a level that every participant could understand and relate to regardless of their discipline or background (Saizarbitoria, 2006). A glossary was included with every survey in an attempt to reduce any ambiguities that may have arisen and to provide clarity and context to the questionnaire. The

provision of the glossary should also have helped to minimise conflicts and assumptions (Martino, 1983). Furthermore, all of the studies and evaluations conducted during the course of this research utilised written communication, and in doing so produced an accurate record of group interactions, activities and timelines.

Precision and clarity were maintained throughout when identifying and exploring the research objectives. The surveys were administered under precise and uniform conditions and were scored objectively and, where possible, automatically. Furthermore, in order to address validity and reliability, various triangulation theories have been developed to minimise potential personal or/and methodological biases as well. Triangulation is typically a strategy (test) for improving the validity and reliability of qualitative research or evaluation of findings. Mathison (1988:13) elaborated that: "Triangulation has risen as an important methodological issue in naturalistic and qualitative approaches to evaluation [in order to] control bias and establishing valid propositions because traditional scientific techniques are incompatible with this alternate epistemology". In any qualitative research, the aim is to "engage in research that probes for deeper understanding rather than examining surface features" (Johnson, 1995:4). Patton (2002) advocated that the use of triangulation could strengthen research by combining methods. This means using several kinds of methods or data to enhance the reliability and validity.

In this research, multiple data collection methods were used in order to achieve a high degree of validity. These data are generally categorised as primary data and secondary data. Primary data were collected from two rounds of questionnaires, semi-structured and unstructured respectively, while secondary data were sourced from a broad literature review, including statistical figures from relevant organisations, annual reports from the DMO



official websites and some Chinese internet resources. On a related note, multiple methods were used to interpret the various sets of data. As earlier discussed, two computing software packages, SPSS 20 and NVivo 9, were used with a more traditional method of content analysis. Moreover, in order to reduce interpretive bias, and thus to establish an objective chain of evidence, analytical tactics of constant comparison (Glaser and Strauss, 1968), pattern matching and explanation-building (Yin, 1994) were applied.

These processes are desirable when building a new theory, where multiple sources of evidence and emerging hypotheses can be confronted with each other in order to define a construct or a causal framework. This was coupled with the technique of theoretical triangulation (Denzin 1978), i.e. examining every new set of data from several disciplinary perspectives. The present study triangulated the findings with tourism-related theories originating from the study of performance management, accounting and organisation behaviour. Thus, it can be claimed that the findings of this study are analytically generalisable, because they were tested against (whether they corroborate or oppose) existing theories in the literature.

## **5.9 Conclusion**

This chapter introduced the methodology that was adopted for achieving the research aims and objectives of this study. This chapter was divided into two stages. The first stage concerned the theoretical foundation of this research. The second stage discussed the actual practice of the research.

The start of the first stage was from the philosophical position of this thesis. This research is conducted by a human-construct of interpretation, and the findings might be considered to be influenced by the participants' and researchers' subjectivity. Thus, relevant scientific instruments needed to be

employed to ensure the objectivity of the research. Grounded Theory was the basis of the research methodology in making links between ontology and epistemology. Grounded Theory helped to discover unexplored insights into Chinese DMOs' operation systems through social psychological evidence by the way of an inductive approach. In this research, due to limited evidence on DMOs in China and little discussions regarding their PMSs, this research adopted a qualitative research and employed an inductive approach in order to investigate the PMSs of DMOs in China, allowing subsequent theory building in relation to the development of a relevant PMS model.

The second stage of this research focused on the adoption of a two-stage questionnaire survey, which was the research method for this thesis as well. In the research, two questionnaires, in two stages, were designed to collect data from a panel of selected participants. The panel of the participants was critical to the success of the research, therefore the criteria and process of participant selection was specially discussed in order to improve the validity and reliability of this research. A popular site of Chinese social media, Sina Weibo, was applied to search for and connect with potential participants for the research. From this initial search, there were participants from 93 DMOs that took part in the first questionnaire during the first stage, and participants from 34 DMOs were involved in the second questionnaire during the second stage. The respond rate was counted as 50% (93 out of 186) in the first stage and 28% (34 out of 121) in the second stage.

Although the research mainly relied on qualitative sources, there were also large amounts of quantitative data in the research. Thus, two different analysis methods were applied in order to separate the data with those two different natures. SPSS 20 was used to analyse the quantitative data and content

analysis was used to analyse the qualitative data with the computing software of NVivo 9 due to the consideration of reliability.

## **Chapter 6 The functions of Chinese DMOs: a general analysis**

### **6.1 Introduction**

Chapter 6 to Chapter 9 examine and discuss the key findings of this research. Chapter 6 and Chapter 7 focus on the results of the functions of Chinese DMOs and aim to serve Objective 2.1 of the research. This chapter (Chapter 6) mainly examines and discusses the findings of both quantitative and qualitative data collected through the two stages of the survey. In order to ease the reading of what is by necessity the presentation of a large amount of data, this chapter begins with a brief introduction to the profile of respondents and their DMOs that took part in the research. Then it examines and discusses the findings with regards to the functions of Chinese DMOs in general. Four groups are given, based on the degree of importance of certain functions for Chinese DMOs to discuss in the research. At the end of the chapter, the conclusion summarises the main findings of the above work as a whole.

### **6.2 The profile of the respondents and their DMOs**

In the research, over 68% of the respondents were male ( $n = 64$ ) and only just less than 32% were female ( $n = 29$ ). The number of male respondents was therefore over twice the number of female respondents. In this research, the participants were members of staff who held higher level positions in the administrative departments of DMOs in China. This gender imbalance seems to reflect the unbalanced employment of males in management level in China. However this situation is slightly changing due to the impact of economic development and the changes in the issues of education and family formation (The World Development Report, 2012).

According to 'The World Development Report 2012: Gender Equality and Development', the female workforce is still concentrated in low-productivity and low-pay jobs all over the world. Goodin (2008) suggested that women spend almost of their time within households. Given the above disparity, the findings of the research also support previous studies which indicate that

relatively few women work in Chinese DMOs. The World Development Report (2012) commented that a women's success was considered to be evaluated on the basis of her capability of balancing the roles of mother, wife and worker; while a 'good husband' was equated with earning an income. This notion of success may offer further evidence to indicate why, in Chinese DMOs, the number of male employees is much larger than the number of female employees. Furthermore, the World Bank recognises the importance of gender equality for poverty reduction and development effectiveness (The World Development Report, 2012). The obvious gender difference also gives a clue to the level of Chinese economic development. Indeed, the report (The World Development Report, 2012: 15) also stated that "economic growth could promote greater integration of women into the economy through increased access to employment opportunities and higher returns to market work".

### **6.2.1 The nature of Chinese DMOs**

Within the 93 questionnaires that were received in the first round of responses, the vital determinant of the nature of those organisations is their ownership. According to contemporary theories of the firm, ownership should be defined in terms of which shareholder controls the 'residual rights' of the firm, in the sense of who dictates unforeseen contingencies (Hart, 1995). A common way to check the accuracy of the status of an organisation is to look at their actual owner; or more formally the type of controlling shareholder. A government office is directly controlled by the state, whereas a SOE represents an enterprise that is operated by the state. A measure to distinguish between the nature of these two types of DMOs is whether or not the DMO pursues financial objectives. A SOE carries out commercial activities for profit oriented purpose; in this research a SOE is considered a non-public sector organisation. On the other hand, a public institution works to purely non-financial objectives, and is under the charge of governmental offices in China; in this research a public institution is considered as a public sector organisation. A private business is a purely commercial entity that seeks profit, and is considered as another non-public sector organisation in this research.

The reason why DMOs of this nature are called ‘non-public’ rather than ‘private’ in this research is attributable to Mulgan (2002). Mulgan (2002) clarified that private sector organisations were only run on commercial principles to deliver a profit; however, the non-public sector was defined as organisations that operate for purposes other than just profit, for example charitable or cooperative organisations. Thus in this research the respondents from Chinese DMOs are divided into two types; the public sector which includes governmental office and public institutions; and the non-public sector which includes SOE and private businesses.

The limitations of searching for the online details of the official status of a firm’s registration means that mistakes may occur in the official records; for example, companies rarely change their registration status, even when their controlling shareholder changes (Dougherty et al., 2003). To overcome this potential problem, the respondents were given a number of options so that they could give their own opinions of who owned the DMO that they worked for.

**Table 6.1 The nature of Chinese DMOs**

<b>Nature</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Governmental office</b>	64	68.8
<b>Public institution</b>	8	8.6
<b>SOE</b>	9	9.7
<b>Private business</b>	12	12.9
<b>Total</b>	93	100.0

(Source: the author’s own data)

In the research, Table 6.1 (above) shows that 68% (n=64) of Chinese DMOs were governmental offices, and 8.6% (n=8) of them were public institutions. On the other hand, 9.7% (n=9) of Chinese DMOs were from SOEs, and 12.9% (n=12) of them were private businesses. Therefore, of the 93 Chinese DMOs that were contacted and subsequently researched, 77% of them were in the public sector, while 23% were in the non-public sector. This result is similar to previous studies, and indicates the great public efforts in the tourism industry (Hall, 1994; Kerr, Barron and Wood 2001; Telfer 2002; Xie 2003). Strong

government intervention has been considered as a crucial stimulator of the development of tourism in China (Zeng and Ryan, 2012).

### 6.2.2 The level of Chinese DMOs

During the research, the first questionnaire collected 93 samples from Chinese DMOs that were at different administrative levels. The CNTA is the only national-level DMO in China, therefore the main focus of this research is on other levels of DMOs. In the research there were six different levels available for the respondents to select which they thought best described the level of their DMO; these levels are provincial, municipality, city, district, county and local. Due to the differential administrative nature, and the features of the corresponding functions, the level of municipality, province and city are listed separately. Most cities are administratively divided into urban districts (“qu”). A district level DMO is normally considered to be a lower level organisation that is under the charge of a city level agency, and they only exist in a city. Local level DMOs are those within towns; also, villages and other smaller level administrative departments that are smaller than the level of county were classified as local.

**Table 6.2 The level of Chinese DMOs**

<b>Level</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Provincial</b>	6	6.5
<b>Municipality</b>	4	4.3
<b>City</b>	23	24.7
<b>District</b>	14	15.1
<b>County</b>	26	28.0
<b>Local</b>	20	21.5
<b>Total</b>	93	100.0

(Source: the author’s own data)

Table 6.2 shows that 6.5% (n=6) of the respondents were from provincial level DMOs in China, these were from the provinces of Inner Mongolia, Shanxi, Guangxi, Hunan and Jiangxi. There were two respondents from Hunan provincial DMO. 4.3% (n=4) of the respondents of the research were at a municipality level, they were from Beijing, Tianjin and Shanghai; there were two respondents from Beijing municipality DMO. Furthermore, 24.7% (n=23)

of Chinese DMOs respondents were at the city level. For the lower level DMOs, 15.1% (n=14) of respondents were from district level DMOs, 28% (n=26) of respondents were from county-level DMOs and 21.5% (n=20) of respondents were from local level DMOs.

In order to further examine the features of participating DMOs in this research, Table 6.3 provides cross-tab statistic on both categories of nature and level. Table 6.3 clearly shows that Chinese DMOs at provincial and municipality levels belonged only to governmental offices. City level DMOs were all in the public sector, and comprised governmental office (83%, n=19) and public institution (17%, n=4). At the district level 86% (n=12) of the Chinese DMOs were governmental offices, and 14% (n=2) of them were SOE. County level DMOs were involved in all four of the nature of control, in that 85% (n=22) of them were governmental offices, 7% (n=2) of them were public institutions, 4% (n=1) were SOE and 4% (n=1) were private business. Furthermore, at local level DMOs only 5% (n=1) of their respondents were from government offices and 10% (n=2) were from public institutions; whereas 30% (n=6) of Chinese local level DMOs respondents were from SOE, and 55% (n=11) of them were from private businesses.

**Table 6.3 Cross-tab statistics of different nature and levels of Chinese DMOs**

<b>Nature Level</b>	<b>Governmental Office</b>	<b>Public institution</b>	<b>SOE</b>	<b>Private business</b>	<b>Total</b>
<b>Provincial</b>	6 (100%)				6
<b>Municipality</b>	4 (100%)				4
<b>City</b>	19 (83%)	4 (17%)			23
<b>District</b>	12 (86%)		2 (14%)		14
<b>County</b>	22 (85%)	2 (7%)	1 (4%)	1(4%)	26
<b>Local</b>	1 (5%)	2 (10%)	6 (30%)	11(55%)	20
<b>Total</b>	64	8	9	12	93

(Source: the author's own data)

The result above is similar to previous studies, in that the Chinese tourism industry is mainly controlled by governmental administration, and that other types of tourism administration organisations also exist under the central control of government (Li, 2004; Li and Dong, 2010). The trend of higher level



DMOs to be of a public nature also tells the facts of the hierarchy of administration of Chinese territory (Chan and Zhao, 2002) in that the Chinese government holds the central power from the top and is also in charge of a different level of DMOs at the bottom.

Privatisation has significantly reduced the size of the public sector and increased the efficiency and profitability of organisations (Sofield and Li, 2011). Thus the levels of organisation determine the situation of the changes in the nature of Chinese DMOs. In other words, Chinese lower level DMOs have more diversity in the management system and ownership in order to promote the tourism growth and stimulate the efficiency of the local operation. However higher level DMOs in China still only present the public nature, thus this also indicates the controlling power that the Chinese government has in the tourism industry.

### **6.2.3 The size of Chinese DMOs**

When the lens shifts to the size of the DMOs it is obvious that there is a relationship between the factor of employee number and the factor of DMOs' level and nature. This research found the following relationships between number of employees at a DMO, and the nature of that DMO. These relationships are shown in Table 6.4 (below), where 'size' means the number of employees in a DMO. Those DMOs with the smallest number of employees, i.e. between 1 and 9 employees were all located at the either district level (2 out of 7) or county level (5 out of 7). The DMOs with 10 to 29 employees had various distributions, but none of the DMOs were above city level. There is one provincial level DMO that has between 30 and 49 employees, the other 15 (out of a possible 16) DMOs with these numbers of employees were either at or below city level. Where a DMO has between 50 and 79 employees, then 44.4% (n=4) of those DMOs were at a provincial level, and 11.1% (n=1) were at a municipality level. Of the DMOs with 80 or more employees, then there is a polarisation in that some were higher level DMOs, but most were at the lowest level of DMO: 17 out of the 28 DMOs, with 80 or more employees, were local DMOs, and 3 out of the 28 DMOs were county level DMOs. From

the above results it may be concluded that the size of a Chinese public DMO is closely related to the geographical range of its administration; the larger the geographical administrative level of a DMO, the larger the number of employees.

**Table 6.4 Crosstab of size of DMOs in different nature and levels**

<b>Size</b> <b>Nature</b> <b>(level)</b>	<b>1-9</b>	<b>10-19</b>	<b>20-29</b>	<b>30-49</b>	<b>50-79</b>	<b>80 and over</b>	<b>Total</b>
<b>Governmental office</b>	<b>7</b> (100%)	<b>19</b> (90.5%)	<b>11</b> (91.7%)	<b>12</b> (75%)	<b>9</b> (100%)	<b>6</b> (21.4%)	<b>64</b>
Provincial				1	4	1	
Municipality					1	3	
City		5	6	4	2	2	
District	2	4	2	3	1		
County	5	10	3	3	1		
Local				1			
<b>SOE</b>	-	<b>1</b> (4.75%)	-	<b>2</b> (12.5)	-	<b>6</b> (21.4%)	<b>9</b>
District				2			
County						1	
Local		1				5	
<b>Public institution</b>	-	<b>1</b> (4.75%)	<b>1</b> (8.3%)	<b>2</b> (12.5)	-	<b>4</b> (14.4%)	<b>8</b>
City			1	1		2	
District							
County		1				1	
Local				1		1	
<b>Private business</b>	-	-	-	-	-	<b>12</b> (42.9%)	<b>12</b>
County						1	
Local						11	
<b>Total</b>	<b>7</b> (7.5%)	<b>21</b> (22.6%)	<b>12</b> (12.9%)	<b>16</b> (17.2%)	<b>9</b> (9.7%)	<b>28</b> (30.1%)	<b>93</b> (100%)
Provincial				1	4	1	<b>6</b>
Municipality					1	3	<b>4</b>
City		5	7	5	2	4	<b>23</b>
District	2	4	2	5	1		<b>14</b>
County	5	11	3	3	1	3	<b>26</b>
Local		1		2		17	<b>20</b>

Note: Size means the number of employees in a DMO  
(Source: the author's own data)

On the other hand, 6 of the SOEs (66.7% of the SOEs) had 80 or more employees in their DMOs, and all 12, (i.e. 100%) of the private business

DMOs had 80 or more employees. This result shows that, due to their need to serve their commercial objectives, non-public DMOs may carry a large number of employees. Thus, leaving aside geographical considerations, organisations that are looking to create profits may need more employees to run that organisation when compared to an organisation that is only providing a service to the public. Indeed, the significant differences in the size of DMOs have been noted by the respondents in the research. This point is illustrated by a respondent from the Jinshitan National Holiday Resort (local SOE DMO),

*“We have only about 30 employees in the level of management and something in the order of 500 employees as a whole, a figure that includes the front of service staff like salespeople, cleaners, and so on.”*

Furthermore, there was a variety in the number of employees in DMOs of the same nature and level. For example, at the provincial level of governmental DMOs, Hunan’s DMO had the largest number of employees (95), and the second largest number of employees was Guangxi’s DMO (78). Moving down the scale, Shanxi’s DMO had 56 employees, Inner Mongolia’s DMO had 50 employees and Jiangxi’s DMO had 47 employees. According to data from the second questionnaire, the factor of the importance of the local tourism industry, and the degree of their tourism development, may be taken into account when examining the relationship with the size of the organisation. In the words of Hunan provincial DMO (provincial governmental DMO):

*“Tourism industry is one of the most important sectors in Hunan province. It also has been paid great effort in improving the quality of tourism product and service by government due to the great contribution for regional economic development and local resident welfare.”*

The respondent of Inner Mongolia’s provincial DMO (provincial governmental DMO) also admitted that:

*“The number of employees in our provincial DMO significantly increased due to the recent rapid development in the past 20 years.”*

### **6.3 The functions of Chinese DMOs**

As discussed previously, destination management is a complicated task as various roles closely intertwine together in order to deliver the ultimate outcome (Fyall, 2010; Kerr, Barron and Wood, 2001). Therefore this section examines the importance of functions at Chinese DMOs. Based upon responses to the first questionnaire, Table 6.5 (below) shows the functions of all the participating DMOs. Due to very few differences between the importance for each function in the research, four groups of functions are given based on their importance in order to effectively examine and discuss the functions of Chinese DMOs. The functions, ‘marketing’, ‘economic driver’, and ‘coordination & collaboration’ were located in Group 1 as their Means are very close to 6 in the research, i.e. very important functions for Chinese DMOs. Group 2 identified the functions that also attached a higher degree of importance but slightly lower than Group 1, the functions of ‘operator’, ‘administrator’, ‘statistics’ and ‘training’ are in Group 2, with an average Mean score over 5.50 and under 5.80 in the research, i.e. the second very important functions for Chinese DMOs. Group 3 encompasses the functions of ‘regulator’ and ‘legitimacy’. These two functions are identified with the slightly important functions for Chinese DMOs in the research as their Mean are very close to 5.00, but still over 5.00, i.e. slightly important functions for Chinese DMOs. Group 4 shows the relative lower important functions for Chinese DMOs whose Mean value is under 5.00 in the research. They are functions of ‘dealing with international relations’ ‘public awareness’ and ‘funding’, i.e. lower important functions for Chinese DMOs.

**Table 6.5 Mean value of the functions of Chinese DMOs**

No.	Function	Mean	Std. Deviation	Importance
F1.	Economic driver	5.88	1.71850	Group 1
F2	Marketing	5.92	1.68907	Group 1
F3	Coordination & Collaboration	5.81	1.80734	Group 1
F4	Regulator	5.03	2.04010	Group 3
F5	Legitimacy	5.04	1.92757	Group 3
F6	Public awareness	4.97	1.94183	Group 4
F7	Operator	5.65	1.80967	Group 2
F8	Administrator	5.56	1.82651	Group 2
F9	Funding	4.99	1.97536	Group 4
F10	Statistics	5.61	1.78783	Group 2
F11	International relations	4.91	2.01977	Group 4
F12	Training	5.62	1.65447	Group 2

(Note: those questions are measured by a Likert scale. 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

(Source: the author's own data)

#### Very important functions for Chinese DMOs

This section examines and discusses the 'very important' functions for Chinese DMOs. The results in the research are in agreement with previous studies of the functions of DMOs. The function of 'marketing' was recognised in this research as the most essential and irreplaceable role for Chinese DMOs. This result coincides with most previous studies (Bennett, 1999; Pearce, 1992; Pike, 2004) in that the ultimate role of tourism organisations, at different levels, is to market a destination. Although DMOs should play various roles in product development and operations, the marketing function is still the principal management function (Dore and Crouch, 2003). Pike (2004) highlighted the vital place that marketing has in DMO activity. Indeed, Bennett (1999) stated that any DMOs should perform a leading marketing role in any country. DMOs are often given a central role in the marketing of a destination because they are created to take the overall responsibility for promoting tourism and for attracting visitors to the place or region defined as their domain (Pearce, 1992).

This research highlighted the Chinese DMO's function of 'economic driver'. The tourism industry has been identified as a catalyst to stimulate economic

growth, increase the viability of underdeveloped regions and improve the standard of living of local communities (Raltz and Puczko, 1998; Kombol, 1998; Simpson, Chapman, and Mahne, 1998). Indeed, the ultimate driving force for pursuing tourism, regardless of the level of development, is almost always the expectation of its positive economic benefits (Wanhill, 1994). Especially in less developed countries, tourism is perceived to be one of the few feasible options for relieving local poverty (Briedenhann and Wickens, 2003). Indeed, DMOs accept the opinion that tourism development will generate new jobs, enhance community infrastructure and assist in revitalising flagging economies. According to the second questionnaire, several participating DMOs noted the importance of increasing income and employment to create a more diversified economy for the local development in China. For example, in the words by Hunan provincial DMO (provincial governmental DMO):

*“...Great contribution by tourism development is to generate income and increase employment...”*

Also, Sichuan Province Guzi Town DMO (local governmental DMO) noted:

*“...the local residents see significant benefit from prosperous tourism...”*

If ‘marketing’ is generally acknowledged to be the most important function for DMOs, it is also justifiable to accept the fundamental function of ‘coordination & collaboration’. Many studies have focused on the integration of these two concepts such as in collaborative destination marketing (Wang and Xiang, 2007, Reid, Smith and McCloskey, 2008; Wang, 2008; Bhat and Milne, 2008; D’Angella and Go, 2009). In the research, the function of ‘coordination & collaboration’ was also emphasised by Chinese DMOs. Indeed, the fragmented nature of the tourism industry requires a substantial degree of coordination and collaboration among the variety of different players in destination marketing (Roberts and Simpson, 1999; Hall, 2000). Fyall et al (2012) also suggested that the competitiveness of a destination is an outcome of how successfully the constituent components work together.

Many scholars have argued for the importance of coordination in destination management, this is because 'destination' comprises a complex web of inter-organisational supply relationships (Sautter and Leisen, 1999; Buhalis, 2000) and also how DMOs facilitate collaboration between the various components operating within their management remit (Paraskevas and Arendell, 2007; Bornhorst et al., 2010; Morgan, Hastings and Pritchard, 2012). For example, as Manente and Minghetti (2006: 230) pointed out, a destination was essentially a "group of actors linked by mutual relationships with specific rules, where the action of each actor influences those of the others so that common objectives must be defined and attained in a co-ordinated way." Sheehan et al (2007) also concluded that the main roles of the DMO were to act as a co-ordinator among the stakeholder groups, and to also manage the interface between the destination and the environment.

The importance of coordination and collaboration was also mentioned in the second questionnaire in the research. In the words of Beijing Mentougou District DMO (district-level governmental DMO):

*"...We are always dedicated to coordinate potential resources from various stakeholders in order to satisfy different interests..."*

Indeed, Ritchie and Crouch (2005) stated that DMOs primarily help to coordinate the deployment of resources rather than actually deploying their own resources.

#### The second most important functions for Chinese DMOs

The functions of operation, administration, statistics and training represent the second most important activities for Chinese DMOs. The difficulty of managing a destination was emphasised by Fyall (2010). This opinion is also supported by the results from the second questionnaire in the research. In the words of Ma'an City DMO (city-level governmental DMO):

*"Our responsibility is general managing of all activities within the destination."*

Moreover, Shanghai Municipality DMO (municipality-level governmental DMO) gives more explanation on the issue of management:

*“...to ensure the healthy development within the destination and improve the diversity in tourism product and service...to monitor the quality of services and satisfaction of tourists...”*

The above words also indicate the function of ‘operator’. In the first questionnaires, the function of ‘operator’ is defined as the task of ensuring the quality of the tourism product and service, and then delighting visitors by maximising their satisfaction (Doswell, 1997; Ritchie and Crouch, 2003). This statement shows the ultimate objective of the function of ‘operator’ for a DMO. In fact, this finding is also supported by many scholars in that DMOs should always work on the quality of their products and services (Shu and Crompton, 2003; Huang, 2004). The quality of the products and services determine directly the consumers’ satisfaction, and thus influence future repeat consumer behaviour (Baker and Crompton, 2000). Thus, Chinese DMOs are designed to be the central administration in charge of the destination and also other stakeholders in order to deliver the best service to meet customer satisfaction.

Table 6.5 clearly shows that Chinese DMOs pay attention to collect and collate statistics in the tourism industry. According to the second questionnaire, the issue of statistics was also mentioned by some respondents. For example, in the words from the Shanghai Municipality DMO (municipality-level governmental DMO) the respondent noted:

*“...one of our works is to gather and organise tourism information and statistics from any channels...”*

The respondent from Beijing East District DMO (district-level governmental DMO) also noted:



*“Although almost all the statistics are from the statistical bureau, we also need to collect and organise those raw data by ourselves in order to pursue further works.”*

The importance of statistics for destination management was summarised into three reasons by Burkart and Medlik (1974): (1) information on the magnitude of tourism is needed in order to determine the contribution of tourists to the economy and lifestyle at the destination; (2) tourism statistics are necessary to assist the planning process for the development of tourist-oriented facilities; (3) tourism data are required by managers to facilitate promotion and marketing research.

Indeed, the collection and generation of statistical data is the responsibility of the independent Department of Statistical Bureau in China. DMOs can obtain related tourism statistics from them directly. However, DMOs still have their own statistics/information offices that work on, and research, other relevant information and data relating to various aspects of destination management.

On the other hand, the function of ‘operator’ represents the ability of judging how the organisation is doing. The contribution of ‘statistics’ is to provide timely information to measure the ‘operational’ performance of the organisation. Indeed, Anderson, Sweeney and Williams (2011) highlighted the importance of statistical results in business operation. Raw data from statistics cannot be used directly for the business operation (Hoerl and Snee, 2012). The necessity of effectively transforming the data into the useful information for the organisation has been stated by Hoerl and Snee (2012). The management of various organisations may be integrated to analyse the data, and this may explain why, in this research, the functions of ‘operation’ and ‘statistic’ are attached within same importance group for DMOs.

The findings from this research also indicate that the function of ‘training’ is very important for Chinese DMOs; they need people who are well-trained and qualified to complete their requisite tasks. In this context, the necessity of

human capacity is highlighted. Many contributions have been made in the study of issues about improving the skills and capacities of employees, with the corollary of increasing customer satisfaction in order to secure repeat business (Sergeant and Frenkel, 2000; Chi and Gursoy, 2009; González, Comesaña and Brea, 2007). Hence, the quality of jobs and qualification requirements of the tourism workforce have been extensively discussed (Cooper and Westlake, 1998; Busby and Fiedel, 2001; Inui, Wheeler and Lankford, 2006). Nowadays, tourism training and education has gained accelerated momentum, as evidenced by the range and diversity of training programmes available at various levels (Amoah and Baum, 1997; Cooper and Westlake, 1998; Busby and Fiedel, 2001; Inui et al., 2006). Government authorities, and also the private sector, increasingly recognise that a professional and well-trained workforce is essential in the provision of a quality service and enhancing overall service delivery. However, many employers feel that the poor quality of service providers in China is due to lack of visionary education and training plans provided by the government (Lam and Xiao, 2000).

In China, the CNTA set up tourism departments in seven colleges and universities to meet the needs of developing managerial personnel for the tourism industry in the 1980s (Zhang et al., 2001). Meanwhile, many other colleges and schools began to set up their own tourism departments or specialities (Zhang et al., 2001). However, many studies (Jin and Yu, 1990; Zhao, 1991; Xiao, 1999) have argued for the great need for Chinese academics to upgrade their qualifications in order to improve the teaching quality for students in the hotel and tourism schools, given the fact that the growth of the tourism industry in mainland China is rapid; consequently, there is greater demand for quality tourism graduates than before.

#### Slightly important functions for Chinese DMOs

The functions of regulation and legitimacy are in Group 3 of importance; and this shows that these functions only have a slight importance to Chinese DMOs. The function of regulation and legitimacy aims to determine the market

orientation and protect the rights of stakeholders. In China, government regulations have the task of emphasising product quality, fair competition and consumer protection for the tourism industry (Qu et al., 2005). These functions can be defined as the 'rules of the game' (Porter, 1990; Post, Lawrence and Weber, 1999). However in China not every DMO has the right to regulate the rules. In most cases Chinese DMOs need only to fulfil the rules that are made by central government agencies. The results of the research coordinate the previous discussion of Chinese territorial administration (Cartier, 2004; Chung and Lam, 2004; Ma, 2005). The structure of centre to local, top to bottom determines the situation that government offices are established in every level in order to perform the state policies in China.

#### Lower important functions for Chinese DMOs

This section examines and discusses the lower important functions for Chinese DMOs in the research. Firstly, the function of dealing with international relations is not fully performed by Chinese DMOs. The development of tourism in China still depends mainly on the domestic market, and China's international tourism industry is the outcome of the implementation of economic reform and openness to the outside world (Zhang et al., 2000). Over 90% of the respondents in this research were from city or lower level DMOs (see Table 6.2). Thus locally constrained DMOs make more effort to attract the domestic market, rather than focus on international development. DMOs at this level do not have the capacity and resources to establish themselves and promote their tourism product in the world market. The soft skills required in tourism, for example employees' service and skill levels, still fall short of those needed to meet international standards. Thus, almost all Chinese DMOs may face the problem of how to make traditional tourism products accessible to the global market (Richards, 2007).

Secondly, Chinese DMOs neglect the function of enhancing public awareness of issues in the tourism industry. Public awareness is important as it may influence the tourist behaviours towards a more sustainable lifestyle (Miller, Rathouse, Scarles, Holmes and Tribe, 2010). Sustainable tourism

development has focused on various economic, social, cultural, political and technological and ecological dimensions (Choi and Sirakaya, 2005). Thus, DMOs should pose as helmsmen to increase public awareness, and then ensure the progressive development of the tourism industry using the principles of sustainability. Chinese public environmental awareness is generally low (Li and Daler, 2004). Chinese DMOs have the responsibility to improve public awareness in order to avoid commercial interests taking priority over environmental considerations (Li and Daler, 2004). On the other hand, the weakness in building strong public awareness is reflected in an absence of stakeholder collaboration or community participation, a lack of community leadership, poor regulations etc, in China's tourism development (Choi and Sirakaya, 2005).

Thirdly, the function of 'funding' was given less importance by the Chinese DMOs in this research. Yet funding is at the foundation of DMO activities, as every organisation needs the money to run their business and complete their tasks (Cooper et al., 2008). Therefore the question which must be asked is why was not the function of 'funding' emphasised by participating Chinese DMOs? Once again the answer may lie with China's socialist system. In this research 77.4% of participating DMOs were situated in the public sector (see Table 6.1). In China, public sectors are supported by planned public funding and are run for a non-commercial purpose. Therefore organisations in the Chinese public sectors need money to merely support the daily administration, and have no need to invest for profit (Zhou, 2007). The function of 'funding' may often occur where DMOs are keen to take the form of a PPP to generate investment from non-private organisations (Wang and Tan, 2005; Tan and Wang, 2006; Zhang, Huang and Fu, 2006; Shen et al., 2006).

The discussion (above) presented the main roles played by Chinese DMOs. In general Chinese DMOs comprehensively administer and operate various affairs related to destination management as a whole. DMOs have responsibility for the effective assurance and health of tourism development and, at the same time to also protect the rights of visitors. The main focus of

DMOs is that of creating a more diversified local economy through coordinating the fragmented tourism industry. Although DMOs play various roles in the industry, marketing is still the principal management function for all Chinese DMOs. On the other hand, Chinese DMOs do not recognise the importance of public awareness and engaging with international markets. To a great extent, the issue of funding is not pursued by Chinese DMOs; this may be due to the socialist system within which they operate. The studying of the roles that different administrative levels, local and national, play in development has been advocated by a number of scholars (Graham et al., 2000; Hall, 1996; and Ryan and Huyton, 2002). Therefore, the following sections present holistic findings on the importance of the different functions that are performed by the various nature and levels of DMOs in China.

#### **6.4 Conclusion**

Different nature (government office, public institution, SOE, and private business) and also different levels (provincial, municipal, city, district, county, and local) of the Chinese DMOs participated in this research. As for the functions of the Chinese DMOs, the functions of 'economic-driver', 'marketing' and 'coordination & collaboration' had been mostly emphasised and listed in Group 1 in the research. Furthermore, the functions of 'operator', 'administrator', 'statistic' and 'training' had been considered as the second most important for Chinese DMOs in Group 2. Chinese DMOs encompassed various administrative departments that worked closely with various stakeholders in the industry. The functions of 'statistic' and 'training' had also been highlighted because of the provision of vital bases in administration and operation for Chinese DMOs. The function of 'training' was also important for Chinese DMOs. Chinese DMOs had to improve the specialised skill for their staff and ensured the professional level of the employment in the industry as the customer satisfaction could be significantly enhanced through the high level of customer service.

The functions of 'regulator' and 'legitimacy' in Group 3 showed their slight importance for Chinese DMOs in the research. The aim of those two functions

was to determine the market orientation and protect the rights of various stakeholders in the industry. Chinese DMOs had the central power in managing and running the destination in the industry. Thus, Chinese DMOs had the responsibilities to maintain the legitimacy for destination development by formulating several regulations in the industry.

In addition, the functions of 'public awareness', 'funding' and 'international relations' showed the relative lower importance for Chinese DMOs in Group 4. Chinese DMOs slightly neglected the task of building the public awareness towards sustainable tourism development to the public and promoting tourism to the international market. Also, Chinese DMOs did not give much attention to the function of 'funding' either in the research.

In conclusion, this chapter provided a general analysis of the profile of the Chinese DMOs in the research and also the different functions that the Chinese DMOs perform. However the Chinese DMOs gave different emphasis to those functions according to their nature and also the level of administration they held. Hence Chapter 7 will give an in-depth analysis of those functions that the Chinese DMOs perform in relation to their nature and also their level.

## **Chapter 7 The functions of Chinese DMOs: an in-depth analysis**

### **7.1 Introduction**

As mentioned previously, Chapter 6 and Chapter 7 focus on the results of the functions of Chinese DMOs and aim to serve Objective 2.1 of the research. This chapter (Chapter 7) mainly aims to provide in-depth insight into the functions of Chinese DMOs in relation to their organisational nature and the administrative levels at which they operate. The structure of this chapter is as follows: firstly, the discussion focuses on the functions of Chinese DMOs in relation to their varying nature; and secondly, the discussion concentrates on the functions of Chinese DMOs in relation to their levels. Finally, the conclusion is provided to summarise the above findings in the research.

### **7.2 Functions of Chinese DMOs in relation to their nature**

#### **7.2.1 Introduction**

As discussed in Chapter 6, it is rational to see the various types of DMOs involved in contemporary Chinese tourism development as part of a move towards a more advanced and refined modern administrative system. In this research, four types of DMOs are discussed. Generally the varying nature of these four types, governmental office, public institution, SOE, and private business, can be divided into two groups, either public sector or non-public sector. The reason the DMOs of varying nature exist could be explained by the limited capacity of any single entity to operate such a huge tourism resource (Doswell, 1997; Cooper et al., 2008). The existence of various types of DMO is particularly challenging for many DMOs because they often have small budgets (Pike, 2004). Due to the issue of budgets, the operation of an increasing number of Chinese destinations are being assigned to particular commercial agencies (Wang and Bai, 2002; Ma, Ryan and Bao, 2009). However, at any level of DMO, governmental authorities are still located in a central place, which is in order to control and shape the development of tourism in China.

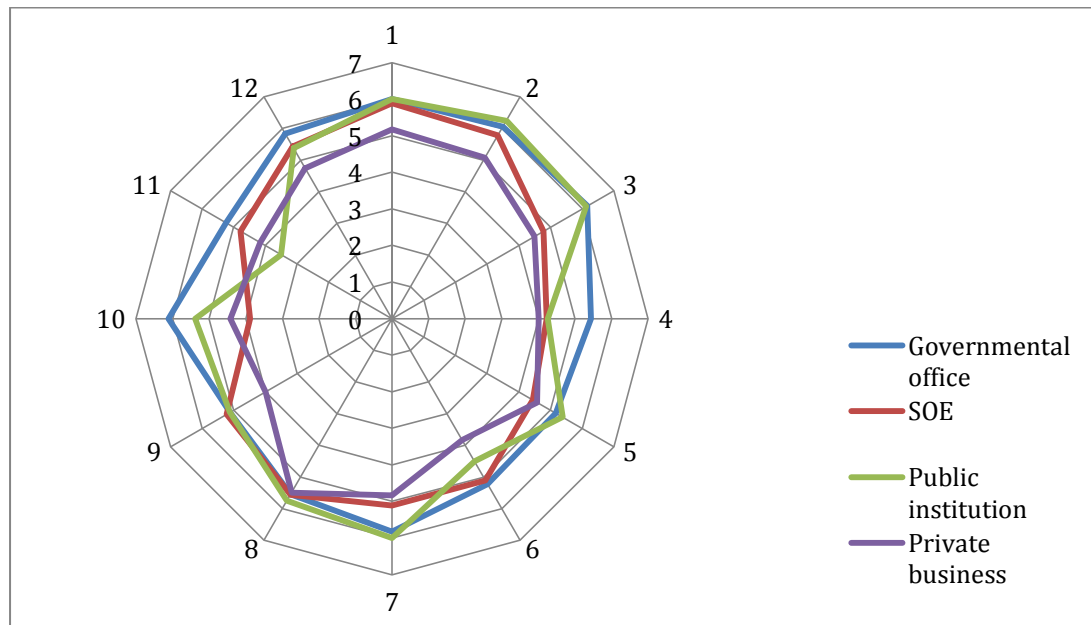
Just as each organisation pursues particular objectives, so each DMO may also have a different emphasis depending on their unique features and appeal

in relation to local tourism development. Therefore it is very important to balance, in a more holistic sense, the extent of various aspects of destination management roles (Wang, 2008a; 2008b). Thus the next section examines, in relation to their nature, the various emphases in the functions of Chinese DMOs.

A radar chart (see Figure 7.1, below) was created and aimed to combine the fragmented results of the functions of Chinese DMOs in relation to their nature in Table 7.1. Therefore Figure 7.1 provides a more simplified visible presentation of the importance of functions for different types and nature of Chinese DMOs. Initially, the general importance of each function for Chinese DMOs in relation to their nature is presented and compared in Figure 7.1. According to Figure 7.1, Chinese governmental DMOs seem to perform the most comprehensive functions in the research as the line of them is obviously far from the centre of the circle. Public institution DMOs play several roles that are similar to roles played by governmental DMOs, but notably, public institution DMOs pay relatively less attention to the functions of 'international relation' and 'regulator'. On the other hand, this research notes that Chinese SOE DMOs show obvious weaknesses in the functions of 'coordination & collaboration', 'regulator' and 'statistics'. By contrast, Chinese private DMOs place relatively less importance in the functions of the research as a whole, and especially in the functions of 'public awareness' and 'funding'.



**Figure 7.1 Importance of functions by different nature of Chinese DMOs**



(Source: the author's own data)

In order to further examine those differences in the given functions, Table 7.1 indicates the detailed different importance of functions for the different nature's of Chinese DMOs. The following findings are specifically discussed in the categories of public DMOs and non-public DMOs.

**Table 7.1 The functions of Chinese DMOs in relation to their nature**

No.	Function	Governmental office	SOE	Public institution	Private business	Total
F1.	<b>Economic driver</b>	6.00	5.89	6.00	5.17	5.88
F2	<b>Marketing</b>	6.06	5.78	6.25	5.08	5.92
F3	<b>Coordination &amp; Collaboration</b>	6.16	4.78	6.13	4.50	5.81
F4	<b>Regulator</b>	5.44	4.22	4.25	4.00	5.03
F5	<b>Legitimacy</b>	5.17	4.44	5.38	4.58	5.04
F6	<b>Public awareness</b>	5.22	5.11	4.50	3.83	4.97
F7	<b>Operator</b>	5.83	5.11	6.00	4.83	5.65
F8	<b>Administrator</b>	5.55	5.56	5.75	5.50	5.56
F9	<b>Funding</b>	5.13	5.22	5.13	4.00	4.99
F10	<b>Statistics</b>	6.11	3.89	5.38	4.42	5.61
F11	<b>International relations</b>	5.25	4.78	3.50	4.17	4.91
F12	<b>Training</b>	5.84	5.44	5.38	4.75	5.62

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

(Source: the author's own data)

### **7.2.2 Chinese DMOs in the public sector**

Governmental office and public institution are two types of Chinese public DMOs. They have many similar functions, and took several similar emphasises in the functions played by the Chinese DMOs in the research.

Firstly, in the research both governmental DMOs and public institution DMOs attached the same level of importance i.e. very important (Mean = 6.00) to the function of 'economic driver'. These two types of DMO also attached the level of 'very important' to the functions of 'marketing' and 'coordination & collaboration'. They, governmental DMOs and public institution DMOs, gave similar value to the functions of 'marketing' (Mean of governmental office = 6.06; Mean of public institution = 6.25) and 'coordination & collaboration' (Mean of governmental office = 6.16; Mean of public institution = 6.13).

Secondly, both governmental DMOs and public institution DMOs showed the same levels of importance to the function of 'funding' i.e. slightly important (Mean = 5.13). They also shared very similar, but much greater, levels of importance i.e. the functions were very important, to 'training' (Mean of governmental office = 5.84; Mean of public institution = 5.38), 'administrator' (Mean of governmental office = 5.55; Mean of public institution = 5.75) and 'legitimacy' (Mean of governmental office = 5.17; Mean of public institution = 5.38).

Thirdly, the research also found that in the functions of 'regulator', 'public awareness', 'statistics' and 'international relations', the governmental DMOs placed a greater emphasis than public institutions upon those functions. The research showed the following detailed levels of emphasis in the functions of; regulator' (Mean of governmental office = 5.44; Mean of public institution = 4.25); 'public awareness' (Mean of governmental office = 5.22; Mean of public institution = 4.50); 'statistics' (Mean of governmental office = 6.11; Mean of public institution = 5.38) and 'international relations' (Mean of governmental office = 5.25; Mean of public institution = 3.50). By contrast, public institution DMOs paid more attention than governmental DMOs to the function of 'operator' (Mean of governmental office = 5.83; Mean of public institution = 6.00).

However, due to very few differences between governmental DMOs and public institution DMOs in the function of 'operator', the main concern moves toward the functions that indicated obvious distances between these two varying nature of DMOs in the research. According to the above statistics, the main differences between the two public types of Chinese DMOs were in the functions of 'regulator', 'public awareness', 'statistics' and 'international relations'. Generally speaking, governmental DMOs pay more attention in playing the roles of the above four aspects than public institution DMOs in China.

In order to further examine the above findings, the qualitative information from the second questionnaire was organised and analysed to support and clarify those situations. According to the literal answers, several governmental DMOs such as Hunan Province Phoenix County DMO and Beijing Mentougo District DMO were considered as conducting a function more related to general management than a single marketing role. The role of '*macroscopical control*' had been mentioned by the respondents from Hunan provincial DMO, Shanxi provincial DMO and Inner Mongolia provincial DMO. In the words of the respondent from Inner Mongolia provincial DMO, (provincial governmental DMO):

*"Our main work is to ensure the right direction of tourism development under the central government policies."*

Another statement by Liaoning Province Chaoyang City Shuangta District DMO (district-level governmental DMO) noted:

*"We are always focusing on general planning and normalising the tourism market."*

The respondents from Jiangsu Province Yangzhou City Hanjiang County DMO (county-level governmental DMO) also mentioned:

*"...the necessity to coordinate the fragmented tourism market is also one of our main works..."*

Indeed, the above evidence was all similar to previous studies (Ritchie and Crouch, 2003; Pike, 2004; Tian et al., 2011) that advocated that in order to promote the long-term healthy development of the destination, DMOs should play a comprehensive role in managing mass tourism activities. The word of 'management' may be too loose to describe the functions of DMOs. However, this argument also tells the fact that the main work of DMOs is no longer only for marketing purposes. In this research the main efforts of governmental

DMOs in China is towards market planning and coordination in general. The findings were also in accordance with the previous studies such as Zhang et al (1999); Zhang et al (2000); Huang (2004) and Wang (2007). As discussed in the previous chapters, the success of Chinese tourism development owes high praise to the involvement of the Chinese government, which has never stopped refining, maturing and perfecting the construction of relevant tourism legislation (Wang, 2007). The establishment of a legislative system is necessary for the formulation of specific tourism policies, which usually take the form of an ordinance or regulation (Zhang et al., 1999; Chong, 2000; Wang and Ap, 2013).

However, in this research public institutions were considered to fulfil tasks that were designated by governmental authorities. According to the second questionnaire, the respondent from Hangzhou City West Lake Scenery Zone Administration Committee (local public institution DMO) noted:

*“Our main work is to complete the requirements made by Hangzhou Tourism Bureaus governmental office to protect, plan and promote West Lake Scenery Zone specially.”*

This respondent also noted:

*“...Our higher level authority is Hangzhou Tourism Bureau and they are in charge of our institution directly...”*

The above evidence matched previous studies (Burns, 2003; Li and Dong, 2010) and further supported the statement that the main objective of Chinese public institutions is to operate effectively in order to provide public service, whilst at the same time maintaining powerful control for the central government. The DMOs who are public institutions often administrate smaller scale destinations such as Longhu Mountain Destination Administration Committee in Yingtan City, Jiangxi Province, and West Lake Scenery Zone Administration Committee in Hangzhou City, Zhejiang Province. According to

the words by the respondent from Longhu Mountain Destination Administration Committee (local public institution DMO),

*“...We do not have rights to formulate policy, but our regulation is established based on the central policy...”*

*“...We only need to be responsible for our destination...”*

The evidence sketches the scope of functions for Chinese public institution DMOs, in that as part of their routine duties, they focus on carrying out the policies formulated by the central government. This statement also supports previous arguments (Chen and Ma, 2004; Wu, 2005; Zhou, 2007) that a Chinese public institution is the executor of public service, and the Chinese governmental office is the formulator and monitor of public service. In other words, Chinese public institution DMOs are actually responsible for management of a certain destination, and that destination management is under the control of Chinese governmental DMOs. The implementation of governmental policy is completed through the activities of public institutions (Wu, 2005). In this case, a governmental DMO can be seen as composed of the people who create the ‘theory’ of public service, and a public institution DMO are the people who put that ‘theory’ into practice in the real world. The difference in their roles in public service also gives the reasons why Chinese public institution DMOs paid less attention than Chinese governmental DMOs to the functions of ‘regulator’, ‘public awareness’ and ‘statistics’.

In addition, the comments of several respondents from Chinese public institution DMOs show the low importance attached to the function of ‘international relations’. According to the words by the respondent from Fenghua County DMO in Ningbo City, Zhejiang Province (county-level governmental DMO):

*“...Domestic tourist is still the main force for our destination...”*

And the respondent in Phoenix County DMO, Hunan Province (county-level governmental DMO) even noted:

*“... We are very confident in domestic tourist flow so that we do not need to attract international tourists too much...”*

The above evidence indicates the limitation of the current Chinese tourism development, and also the failure to promote the destination from a long-term perspective. Although the rapid Chinese tourism development has been widely approved, almost all Chinese destinations are still relatively backward, especially in rural areas (Zhou and Huang, 2004; Liu, 2006; Ma, Zhao, Song, Guo and Liu, 2007). Guo and Han (2010) also stated the current tourism infrastructure, and professional human capital, was far below international standard. In addition, Qu et al., (2005) highlighted the shortage of competent managerial and marketing talents in the current Chinese tourism industry. These problems may partially explain the low importance that current Chinese public institution DMOs place on the function of ‘international relations’.

### **7.2.3 Chinese DMOs in non-public sectors**

Chinese non-public DMOs mainly encompasses SOEs and private businesses. The biggest difference between these organisations, SOE and private business, is ownership. The state is the owner of a SOE, and a private business is privately owned; however both these organisations pursue profitable purposes. In this research, the functions of Chinese SOE DMOs and Chinese private business DMOs were compared, and, based upon their different ownerships, their different emphases were also examined. From this research it can be seen that Chinese non-public DMOs did not pay a great deal of attention to the given functions in the research. In particular, private business DMOs held neutral attitudes towards most of the functions that were researched. According to Table 7.1 (above), both Chinese SOE DMOs and private business DMOs attached only slight importance to the functions of ‘economic driver’, ‘marketing’ and ‘administrator’. Furthermore, they also hold

neutral attitudes towards the functions of 'coordination & collaboration', 'regulator', 'legitimacy' and 'international relations'.

On the other hand, in this research SOE DMOs and private business DMOs showed distinct differences in several functions. Dealing first with functions that were more important to SOEs, these functions were 'public awareness' (Mean of SOE= 5.11; Mean of private business = 3.83), 'funding' (Mean of SOE = 5.22; Mean of private business = 4.00), 'operator' (Mean of SOE = 5.11; Mean of private business = 4.83), 'training' (Mean of SOE = 5.44; Mean of private business = 4.75) were higher for SOE DMOs than for private DMOs. However private business DMOs placed more emphasis than SOE DMOs on the function of 'statistics' (Mean of SOE= 3.89; Mean of private business= 4.42).

In order to further examine the above findings, the qualitative information from the second questionnaire was organised and analysed to support and clarify those situations. Firstly, the function of 'marketing' had been highlighted by both SOE DMOs and private DMOs in the research. For example, the words from Chinese SOE DMOs:

*"...Marketing is one of our most important departments in our DMOs..."*

(by Slender West Lake Hot Spring Resort in Yangzhou City, Jiangsu Province-local SOE DMO)

*"...One of the most important tasks is to let our potential customers know us..."*

(by Tianmu Lake DMO, Jiangsu Province- local SOE DMO)

Similar to the above, the DMOs who are private businesses also put the most important label on marketing activities. For example:

*"...Marketing is most important for us...we have to know what our customers need and what product/service we can offer..."*



(by Taichi Lake Water Amusement Company in Wudang City, Hubei Province- local private DMO)

And the words of Yatai Hot Spring Spa Hotel Resort, Hainan Province (local private DMO):

*“...Sell our product/service to more and more people...”*

The above evidence showed clearly that ‘marketing’ was the most important function in non-public DMOs; the reason for this could be explained by the purpose of those organisations. According to their words, private business DMOs emphasised the goal of profitability. For example, the respondent from Zhejiang Province Anji Bamboo Exposition Area (SOE) wrote the words *“generating income”* and *“promote economy diversity”* in the question of the DMO’s functions. Some private business respondents (Hainan Province Yatai Hot Spring Spa Hotel Resort and Hunan Province Dongshan Island Maohu Rivers and Lakes Holiday Village) even gave the answers by very explicit words such as *“earning”* and *“profit”* to this question. Thus, the relationship between ‘marketing’ and ‘economic driver’ is highlighted by the emphasis that ‘marketing’ can lead to a positive profitable outcome (Kaynak and Hudanah, 1987). This statement also accords with other studies (Doswell, 1997; Buhalis, 2000; Ritchie and Crouch, 2003; Pike, 2004; Tian et al., 2011) that DMOs have a never-ending task in the work of marketing. Especially for commercial corporations, making money is always the ultimate objective for them (Friedman, 1970). The above findings reveal the keen economic ambitions of non-public DMOs, yet on the other hand, they also hint at their management’s possible neglect of other non-economic interests.

According to the words in the second questionnaire, SOE DMOs also noted the task of ‘coordination & collaboration’ and ‘public awareness’ in the research. For example, Sanya Dongtian Park Tourist Attraction DMO, Hainan Province (local SOE DMO) commented:

*“...Integrate various resources and increase the enterprise’s core competence...”*

And Jiezi Old Town DMO in Chongzhou City, Sichuan Province (local SOE DMO) comments:

*“...Build and improve recreational facilities in the destination...”*

Also, Huangyao Old Town DMO in Zhaopin City, Guangxi Province (local SOE DMO) comments:

*“...Improve public infrastructure development and local resident life standard...”*

In contrast, there was not any evidence of these two functions, ‘coordination & collaboration’ and ‘public awareness’ in private business DMOs. In other words, Chinese private DMOs are weak in coordinating potential resources, and are also in weak collaborating with various stakeholders to promote destination growth. This result is similar to the results of the study by Drucker (1990) who believed that one of the basic differences between non-profit organisations and for-profit organisations is that non-profit organisations have many more constituents to deal with than for-profit organisations. Gao (2008) also indicated the lack of cooperation among private tourism businesses in China. Zhou (2002) suggested that collaboration is necessary for Chinese private tourism businesses to develop in a long-term and purposeful way. On the other hand, with regard to the ownership of the organisation, a Chinese SOE is a profit-maximising firm that is operated by the state, yet at the same time it has a responsibility to maintain political stability by providing employment, income, control, housing, and social security to a potentially threatening urban constituency (Parker and Wendel, 1997). Thus, the success of a SOE is measured by greater social responsibilities than a private business (Wang and Wen, 2009).

In the second questionnaire, Chinese private business DMOs noted that “*daily operation*” (Yatai Hot Spring Spa Hotel Resort, Hainan Province - local private DMO) and “*routine examination in the destination*” (Dongshan Island Maohu Rivers and Lakes Holiday Village, Hunan Province - local private DMO) are their main functions. As discussed previously, the function of ‘marketing’ was highlighted strongly, but the lack of well-trained staff and professionals was mentioned as hindering their future development. The respondent from Yatai Hot Spring Spa Hotel Resort, Hainan Province (local private DMO) mentioned the problem of “*the brain drain*” to support this statement in the research.

However Zweig (2006) stated that because of tremendous self-development opportunities and financial rewards, the private sector in China had attracted more talents than governmental organisations. Given the further consideration for the level of non-public DMOs, all Chinese non-public DMOs are at or below district level in the research (see Table 6.3). In the local regions, especially those relatively small sites in China, almost all employment is drawn from the local population (Zhang and Wu, 2004). The general level of education in the local community, and the degree of knowledge of the tourism industry, is potentially severely limited (Qiu and Lam, 2004). In this case, there is an important need to keep all employees and local residents fully informed so that they can understand all aspects of tourism development. The reason why these findings differ from previous arguments may be because of the relative lower level of the non-public DMOs in the research. However, this evidence also raises the question of the real situation of talent in Chinese public and non-public DMOs. Indeed, since local people in the developing world are usually unfamiliar with the workings of a service economy, tourism is often institutionalised and manipulated predominately by bureaucratic initiatives (Liu and Wall, 2003). Therefore Chinese DMOs, especially non-public DMOs, have to perform the role of educator so as to improve employment prospects and local residents’ knowledge and skills in tourism development.

The existence of private business DMOs occurs increasingly where larger geographical DMOs contract out their destinations to external tourism planning companies in China (Zhang, 2002; Chen, 2005). The respondents in this research mentioned this situation, and also approved of the advantages of this kind of contract. In the words of the respondent from Phoenix County, Hunan Province (county-level governmental DMO):

*“When the local tourism bureau assigns the destination to the private sector, for example a tourism planning company; those companies will be responsible for profitability performance of those destinations. Thus, the private company becomes a private DMO in charge of marketing and selling roles within this destination.”*

As discussed in previous chapters, many public DMOs are starting to seek joint partnership with private tourism businesses, because of the DMOs' limited capacity and capability in running the multi-fragmented tourism industry (Kumar et al., 2009; Tian et al., 2011). Indeed, governments in developing countries have found private sources of project finance to be an effective strategy to assist implementation of some projects in order to reduce public borrowing to finance direct expenditure (Shen et al., 1996). A local level DMO is often a publicly funded body, and is normally given responsibility for co-ordinating marketing activities within the boundaries of the destination (Pearce, 1992; Pike, 2004), and this also applies to the Chinese industry. In China, many low level DMOs work with modest budgets and have little or no opportunity to generate income by themselves, therefore they have to integrate contributions from non-public sectors (Zhang, 2002; Chen, 2005). In this case, the action of selling their destination operation rights becomes a part of governmental official task, and it may also be a way to strengthen the position of the DMO within the destination (Liu, 2012). The application of PPPs has become increasingly popular in developed economies because of the advantages of improving efficiency and mitigating risks (Shen et al., 2006). Indeed, Dougherty et al (2007) argued that firms controlled by private

shareholders should have stronger profit incentives and higher productivity than those owned by government.

In China, Phoenix Ancient City (also called Phoenix County) is the most popular, and famous, case of PPPs in China (Liu, 2012) and local governmental officers at the Phoenix County Tourism Bureau officers were involved in this research. The Phoenix Ancient Town is located on the western boundary of Hunan Province, in an area of outstanding natural beauty where mountains, water and blue skies prevail. According to the respondent from Phoenix County Tourism Bureau (county-level governmental DMO):

*“...In order to improve the efficiency of managing development risks, the government has been promoting the application of new procurement strategies for the implementation of public sector works, in particular, the mechanism of PPPs. In 2001, Phoenix County People’s Government successfully transferred the management rights of eight local destinations (including Phoenix Ancient City) to Huanglong Cave Investment Limited by Share Ltd for a 50 years’ contract....”*

The respondent also mentioned another advantage gained from the PPPs in Phoenix Ancient City:

*“... Reduces the public sector budget contribution to infrastructure investment and where efficiency gains from commercial practices can be imported to the sector...”*

The success of the PPPs in Phoenix Ancient City supports the argument that the approach of PPPs is effective to enhancing the productivity of tourism development; this is achieved by bringing in management efficiency and creative skills from the business practice, and reducing government involvement, by using the private sector in the provision of public services (Shen et al., 2006). In China, the involvement of private tourism businesses has become a popular and effective strategy to assist the development of

local DMOs without the pressure to source their funding directly from the state (Wang and Tan, 2005; Tan and Wang, 2006; Zhang et al., 2006).

The case of Phoenix Ancient City also provides several reasons why private business DMOs did not place a leading role on the aspects of 'public awareness', 'international relations' and 'regulator'. PPPs are implemented under the policy of the separation of two powers and these powers are the right to operate and the right to govern in China (Liu, 2012). In this case, private DMOs are only delegated the rights of operating the destination; governmental DMOs still retain the central power, by way of policies and regulations, to influence the business of private business DMOs. In the context of the previous discussion about regulation and legislation, China's private business DMOs operate destinations for the purpose of maximising economic gain, but they operate within the boundaries shaped by local governmental DMOs' regulations that are in turn formulated from the policies of China's central government. Thus, the functions related to administration and planning purposes are far from the objectives of private business DMOs in China. On the other hand, SOE DMOs in China not only pursue under the purpose of profit maximisation, they also consider other social responsibilities as part of economic development. That is why SOE DMOs seem to attach relatively more importance to the given functions in this research than private business DMOs in China.

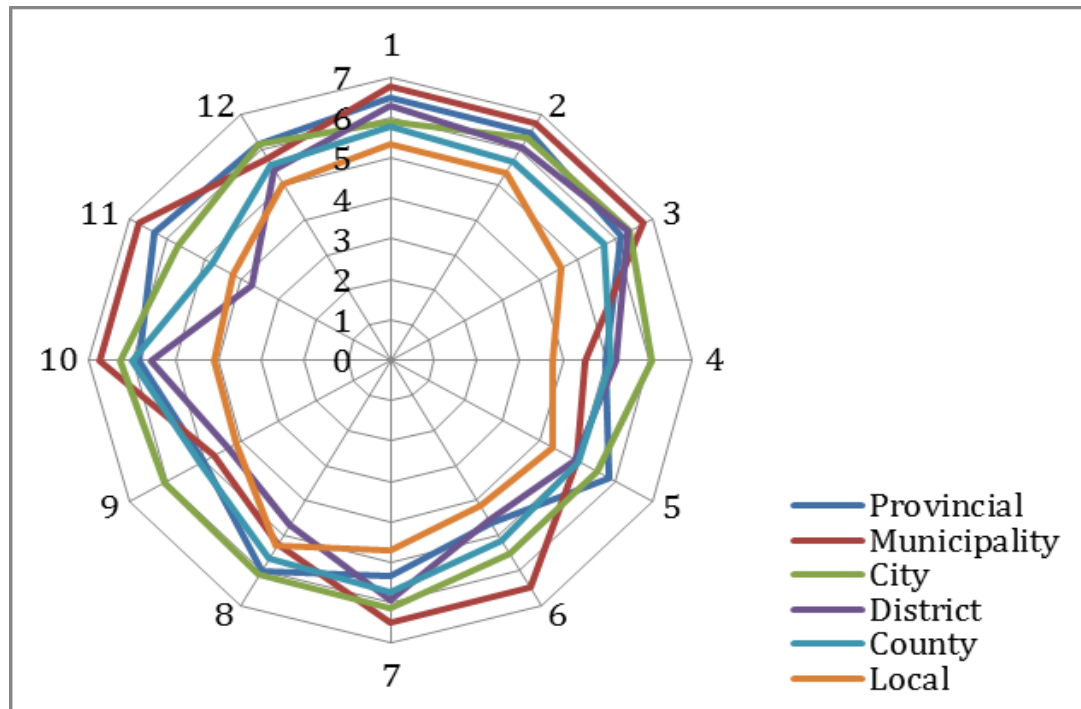
### **7.3 Functions of Chinese DMOs in relation to their levels**

As also discussed in Chapter 6, there are six different levels of Chinese DMOs involved in this research, i.e. provincial, municipality level, city level, district level, county level and local. For the purpose of discussion, these six levels of DMOs can be divided into three groups: higher level DMOs include provincial and municipality; then there are city level DMOs; and then lower level DMOs include district, county and local, depending on their territorial administrative functions in the research. The given categories are decided upon due to the issue of reforms in the urbanisation of China. In China a municipality has similar levels of administrative power to that of a province,

and is called a provincial level municipality. Recent reforms to urbanisation in China have led to the emergence of an increasing number of cities being created (Chung and Lam, 2004). For example, new cities in China are being formed from the turning of prefectures, and also counties, into cities. Also, cities and counties are becoming urban districts. Thus, due to the various components of city level DMOs, they are discussed separately in this research. The levels of district, county and local are consequently considered as being a lower level group because of their smaller territorial size.

As each organisation pursues their own functions under their administrative levels, each DMO may have a different emphasis depending upon the limits of their administrative powers. As Liu (1993) stated, the functions of Chinese DMOs vary, this variation was dependent upon different levels of destination with the consideration of spatial factors. Figure 7.2 (below) provides a simplified visible presentation of the importance of functions for different levels of Chinese DMOs in the research. The functions in higher level DMOs generally show more importance than in lower level DMOs. Municipality level DMOs give great importance to the functions of 'public awareness', 'operator', 'statistics' and 'international relations'. In this research City level DMOs and higher level DMOs shared similar ranges of importance. When compared to other level DMOs, City level DMOs placed particular importance in the functions of 'regulator', 'administrator', 'funding' and 'training'. On the other hand, local DMOs show the least importance in the functions than DMOs at other levels, with the exception of the functions of 'administrator' and 'international relations' that are labelled by district level DMOs as having the lowest importance.

**Figure 7.2 Importance of functions by different levels of Chinese DMOs**



(Source: the author's own data)

In order to further examine the difference in the functions of different levels of Chinese DMOs, Table 7.2 has been created to indicate the different emphases of DMOs' functions in three broad territorial categories. Additionally, Table 7.3 is considered to investigate the detailed different importance of functions for each level's Chinese DMOs. The findings are shown in Table 7.2 with further examination in Table 7.3.



**Table 7.2 The functions of Chinese DMOs in relation to their broad levels**

No.	Function	Higher level DMOs	City level DMOs	Local level DMOs
F1	Economic driver	6.60	5.91	5.75
F2	Marketing	6.60	6.35	5.65
F3	Coordination Collaboration	6.40	6.39	5.48
F4	Regulator	4.80	6.04	4.68
F5	Legitimacy	5.50	5.52	4.78
F6	Public awareness	5.40	5.52	4.68
F7	Operator	5.80	6.13	5.43
F8	Administrator	5.70	6.13	5.32
F9	Funding	4.90	6.04	4.60
F10	Statistics	6.20	6.26	5.26
F11	International relations	6.50	5.69	4.35
F12	Training	6.00	6.17	5.35

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

(Source: the author's own data)

**Table 7.3 The functions of Chinese DMOs in relation to each level**

No.	Function	Provincial	Municipality	City	District	County	Local
F1.	Economic driver	6.50	6.75	5.91	6.29	5.77	5.35
F2	Marketing	6.50	6.75	6.35	6.07	5.65	5.35
F3	Coordination Collaboration	6.17	6.75	6.39	6.36	5.73	4.55
F4	Regulator	5.00	4.50	6.04	5.21	5.12	3.75
F5	Legitimacy	5.83	5.00	5.52	4.93	5.04	4.35
F6	Public awareness	4.67	6.50	5.52	4.57	5.15	4.15
F7	Operator	5.33	6.50	6.13	5.93	5.73	4.70
F8	Administrator	6.00	5.25	6.13	4.71	5.65	5.30
F9	Funding	5.00	4.75	6.04	4.36	5.08	4.15
F10	Statistics	5.83	6.75	6.26	5.57	6.00	4.10
F11	International relations	6.33	6.75	5.70	3.71	4.77	4.25
F12	Training	6.17	5.75	6.17	5.43	5.58	5.00

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

(Source: the author's own data)

### **7.3.1 The functions of the higher level of Chinese DMOs**

Due to their similar administrative powers, provincial and municipality level DMOs in China are considered to be in the higher level group. As can be seen from Table 7.2, Chinese higher level DMOs paid very important attention to almost all of the functions in the research. However, provincial and municipality level DMOs also respectively show some different emphases in several functions in the research (see Table 7.3).

Firstly, higher level DMOs attached the very importance (Mean  $\geq 6$ ) to the functions of 'economic driver', 'marketing', 'coordination & collaboration', 'international relations', 'statistic' and 'training'. However, the mean of provincial DMOs in the function of 'statistic' only had a score of 5.83 which was much lower than municipality level DMOs in the research. On the other hand, the mean of municipality level DMOs in the function of 'training' was lower than 6, but the difference in mean was relatively small between provincial DMOs. Secondly, higher level DMOs also showed the second highest importance (mean  $\geq 5$ ) in the functions of 'legitimacy', 'public awareness', 'operator' and 'administrator'. There were obvious differences between the mean of provincial DMOs and municipality level DMOs in the function of 'public awareness' and 'operator'. In the research, municipality level DMOs paid more attention than provincial DMOs to the functions of 'public awareness' and 'operator'. Thirdly, higher level DMOs showed a relative lower importance to the function of 'regulator' and 'funding' with the mean value of nearly 5 in the research.

Provincial and municipality level DMOs gave higher degree of importance to these functions in the research, however municipality level DMOs paid more specific attention to several other aspects of destination management. According to the above results, municipality level DMOs particularly played a more active role than provincial level DMOs in the function of 'statistics' 'public awareness' and 'operator'. When considering evidence from the second questionnaire, it can be seen that provincial level DMOs only gave broad answers to questions about destination management; whereas municipality

level DMOs indicated in the research that they took on more specific tasks. For examples, the responses from provincial level DMOs including the following: the respondent from the Inner Mongolia provincial DMO (provincial governmental DMO) commented:

*“...Our DMO is macro-control of the tourism industry within the whole province...”*

And the respondent from Hunan provincial DMO (provincial governmental DMO) commented that

*“...We pay a lot of attention to construction of public service systems such as improving the public facilities...”*

Also the respondent from Shanxi provincial DMO (provincial governmental DMO) commented

*“...One of the most important tasks for us is to set tourism policy guideline for reference of other subordinate destinations...”*

The above evidence supports the findings in the first questionnaire, which showed the role of macro management for provincial DMOs. In the study by Li, Cao and Yang (2006), they noted that provincial governmental administrations were in charge of much larger territories than other levels in China. Also, Chung and Lam (2004) indicated the various components within a province in China. Thus a provincial DMO is the main governmental actor, and, on behalf of the Chinese state, is in charge of a numbers of subordinate administrations and also has overall responsibility for tourism development in a given province. On the other hand, municipality level DMOs seem to more directly control the tourism industry than provincial level DMOs in the research. According to the respondent from Shanghai Municipality DMO (municipality-level governmental DMO):

*“...We concentrate on protecting the legitimate rights and interests of consumers all the time...The quality of our product and service has to be guaranteed...”*

Based on the above respondent's words, it can be seen that municipality level DMOs focused on a particularly customer-oriented approach in their management system. Generally, municipalities, as opposed to provinces, have a higher proportion of effort in the tourism sector rather than the agriculture sector (Li et al., 2006). In the research, Shanghai Municipality DMO (municipality-level governmental DMO) also mentioned the high degree of importance attached to tourism development as part of economic growth for their city. Indeed, Liu, Sun, Li and Yuan (2008) indicated the greater contribution of the tourism industry to the economies of Beijing and Shanghai when compared to the municipalities of Tianjin and Chongqing. As Kandampully (2000) stated, a customer-oriented strategy was effective in promoting tourism management performance, and could increase the consumers from the perspective of tourism demand. The statement of Kandampully (2000) also indicated the importance of tourism development for the organisation that carried out the strategy that should from the customer-oriented focus. Thus, it can be seen that municipality level DMOs pay more attention to tourism development, and are more directly involved in destination management, than provincial level DMOs in China.

From the perspective of their administrative levels, a municipality can be treated as a province, however from the perspective of geographical areas, a municipality level DMO will serve a much smaller territory than a provincial level DMO. Thus compared to provincial level DMOs, municipality level DMOs may perform more specific functions in their tourism management. According to the second questionnaire, the respondents further noted that they paid attention to the functions of the DMO in corroborating various tourism resources into their operation for a sustainable purpose:

*“...It is necessary to closely collaborate with other stakeholder in order to rationalise use of potential assets into tourism development... Ensure the long-term stable guaranteed funding (work with State Asset Supervision and Administration- SASAC)....”*

(by Shanghai Municipality DMO-municipality-level governmental DMO)

The above words corroborated previous statements that municipality level DMOs were very active drivers in tourism development. The function of ‘funding’ was additionally highlighted by municipality level DMOs in China. Indeed, destinations can take advantage of collaboration when seeking funding (Dredge, 2006; Park, Lehto and Morrison, 2008). Thus, in order to generate funding, municipality level DMOs enhance the development of tourism through their efforts of collaboration with various stakeholders. Indeed, the respondent from Shanghai Municipality DMO (municipality-level governmental DMO) noted:

*“...It is necessary to integrate local tourism resources and strengthen regional cooperation...”*

Moreover, the function of ‘statistic’ was also mentioned by the respondent from Shanghai Municipality DMO (municipality-level governmental DMO):

*“...Increases the speed of industry information construction...”*

As discussed previously, obtaining statistics is a separate function and is the duty of the state statistical bureau in China. However, each Chinese DMO still has a statistics or Information office in order to organise and collect local tourism statistics as well as to assist the work of the state statistical bureau. In the explanation by the respondent of Shanghai Municipality DMO (municipality-level governmental DMO):

*“...Chinese DMOs normally obtain the official statistics from the state statistical bureau, and other specific information such as tourist surveys are*

*mainly collected by ourselves. We normally re-organise this information from all channels and analyse them into various purposes such as publish and further research...”*

The above statement not only explored the process of collecting statistics but it also indicated the importance of tourist behaviour for municipality level DMOs. To sum up, through a customer-oriented approach, Chinese municipality level DMOs play various active roles in destination management. Municipality level DMOs make great effort in the collaboration of various potential tourism resources in order to ensure the long-term tourism development with guaranteed funding support. By contrast, provincial DMOs seem to attach relative lower importance to the functions of ‘statistics’ ‘public awareness’ and ‘operator’ than municipality level DMOs in China.

### **7.3.2 The functions of the city level of Chinese DMOs**

According to Figure 7.2, Chinese city level DMOs placed greater importance than other levels of DMOs, on the functions of ‘regulator’, ‘administrator’, ‘funding’ and ‘training’. Being in the middle level of administration, Chinese city level DMOs seemed to combine features of both higher level and lower level DMOs. Indeed, Chinese city level DMOs paid the most important attention to almost all of the functions that were researched. By looking at Tables 7.2 and 7.3 it could be seen that city level DMOs gave the highest importance to the options of ‘marketing’, ‘coordination & collaboration’, ‘regulator’, ‘operator’, ‘administrator’, ‘funding’, ‘statistics’ and ‘training’, therefore these were very important functions for them. Furthermore, city level DMOs paid the second highest importance to the functions of ‘economic driver’, ‘legitimacy’, ‘public awareness’ and ‘international relations’ in the research.

Given the deeper insight of the functions of city level DMOs, information from the second questionnaires was considered. The opinions of several respondents (Ningbo City DMO, Hangzhou City DMO, Xianning City DMO, and Ma’an City DMO) coincided in regards to their DMOs’ function and used

the words *'Macro management'*, and mainly, focus on *'planning and marketing'*. Another respondent from Ma'an City DMO (city-level governmental DMO) noted:

*"...One of our current main jobs is to build and promote city image..."*

The same respondent (Ma'an City DMO) further mentioned:

*"... We are focusing on attracting private investment into destination development and promoting festivals activities more recently..."*

According to the limited literal answers, several key points can be summarised regards the functions of city level DMOs. Firstly, the function of 'marketing' is extremely important for city level DMOs. Secondly, city level DMOs try to brand their tourism product through building their unique image. Thirdly, to stimulate local economic growth the 'event tourism' product is being heavily developed. These findings corroborate many academic arguments, in that generally, the ultimate role of a DMO is to promote and market a destination (Bennett, 1999; Pike, 2004; Cooper et al., 2008; Tian et al., 2011). In an integrated approach to development and marketing, event tourism is considered to be inclusive of all planned events (Getz, 2009). Nowadays, event tourism is seen as a strategy for DMOs (Getz, 2009). The development of event tourism can result in the promotion of a positive destination image, and can help the marketing and branding of the destination (Get, 2009). Indeed, Boo and Busser (2006) stated that event tourism could enhance the image of a destination, and can then induce tourist demand to that destination. Thus, Getz (2009) concluded that event tourism was a goal-driven and value-based product for DMOs.

### **7.3.3 The functions of the lower level of Chinese DMOs**

As discussed previously, in China various urban units are considered to be a lower level administrative territory, and consequently in this research their DMOs are considered as lower level DMOs. Lower level DMOs are those at

administrative levels of 'District', 'County' or 'Local'. The degrees of importance that Chinese lower level DMOs have towards various functions are discussed in the next sections.

Firstly, lower level DMOs showed the second highest importance (Mean  $\geq 5$ ) in the function of 'economic driver', 'marketing', 'coordination & collaboration', 'operator', 'administrator', 'statistics' and 'training'. Further examination shows obvious differences in the mean values for 'coordination & collaboration', 'operator' and 'statistics'; when compared with district level DMOs and county level DMOs, local DMOs showed a much lower mean value in those functions.

Secondly, lower level DMOs indicated slight importance (Mean  $< 5$ ) in the function of 'regulator', 'legitimacy', 'public awareness', 'funding' and 'international relations'. These results show that local DMOs showed much lower mean values in the functions 'regulator' and 'public awareness' when compared with district level DMOs and county level DMOs. Regarding the function of 'funding', county level DMOs showed more attention than district level and local DMOs in the research. Furthermore, district level showed a very low Mean value in the function of 'international relations' and 'administrator' compared with county level and local DMOs in the research.

According to the results of this research, local DMOs gave much lower attention to the functions of 'coordination & collaboration', 'operator' 'regulator', 'public awareness' and 'statistics' compared with district level DMOs and county level DMOs in China. On the other hand, county level DMOs showed more attention to the function of 'funding' than district level and local DMOs in the research. Furthermore, district level DMOs showed a lower mean value (Mean = 3.71) in the function of 'international relations' than that of county level and local DMOs in the research. These results can be further discussed in the consideration of the nature of Chinese local DMOs. According to Table 6.3, in the research 86% (n=12) of district level DMOs, and 85% (n=22) of county level DMOs were governmental offices. However only 5% (n=1) of local DMOs were of a governmental nature. On the other hand, there was no



private component in district-level DMOs and only one private business (4%) in county level DMO. However, 55% (n=11) of local DMOs were private businesses and 30% (n=6) of local DMOs were SOEs.

As discussed previously, Chinese public DMOs concentrated more on general management tasks such as 'coordination & collaboration', 'operator', 'regulator', 'public awareness' and 'statistics'. Chinese public DMOs were also keen to seek the PPPs in order to generate funding for development of the local destination. In the research, the respondents from lower level governmental DMOs (Zhejiang Province Ningbo City Fenghua County DMO; Jiangsu Province Yangzhou City Hanjiang County DMO) noted the task of attracting investment to their destinations. According to the CNTA (2012) the government of China has set a policy of encouraging private assets into tourism destination management; this is particularly relevant at a local level. The increased use of PPPs in Chinese lower level destinations also corroborates the argument of Prideaux and Cooper (2003), in that tourism promotion involves high levels of public funding at national levels, but at the local level, DMOs often struggle for funds and face difficulties obtaining cooperation from LGAs and the industry. Also, many scholars draw similar evidence in that the responsibility of attracting investment lies with local DMOs (Pearce, 1990; Kearsley, 1997).

As commercial organisations, Chinese private DMOs are always pursuing the ultimate purpose of economic maximisation. Thus, Chinese private DMOs are only delegated the rights to 'operate' a destination by using policies and regulations formulated by central government. Chinese governmental DMOs still have the central power to influence the business of private DMOs. Therefore, the factor of the nature of a local DMO can explain why local DMOs showed many different emphases in their functions when compared with the other two organisations in the group of lower level DMOs in China. Qualitative data were taken into consideration when further investigating the functions of Chinese lower level DMOs.

Firstly, in similarity with other levels' DMOs, the function of management was broadly mentioned. For example, in the words of Liaoning Province Chaoyang City Shuangta District DMO (district-level governmental DMO),

*"We are in charge of destination management within Shuangta district."*

The respondent of Hunan Province Phoenix County DMO (county-level governmental DMO) specifically mentioned that the work of destination management is the

*"...management of local tourism businesses such as hotel and travel agency".*

A similar answer provided by the respondent of Shandong Province Zhaozhuang Tengzhou County DMO (county-level governmental DMO) noted that their job was:

*"...To deal with various tourism businesses and ensure their operation under the local governmental regulation..."*

Secondly, another important part of destination management for Chinese local DMOs was further explored in the functions of 'marketing' and 'coordination & collaboration' in the research. The respondents from Beijing's East District DMO, and Beijing's Mentougou District DMO, both noted the importance of cooperating with other governmental departments to conduct tourism activities such as special festival activity promotion. The respondent from Jinshitan National Holiday Resort (local SOE DMO) also supported the notion of the importance of cooperation:

*"...We hold some conferences or activities with governmental DMO sometimes..."*

Similar answers were also given by Shuangta District DMO in Chaoyang City, Liaoning Province (district-level governmental DMO) in the research:

*“...We hold big events with other tourism businesses...”*

As discussed previously, event tourism is one of many marketing approaches, and can enhance the image of a destination (Getz, 2009; 2010). In the research, both East District DMO and Mentougou District DMO in Beijing highlighted the task of event hosting to build and promote the local tourism image through event tourism. For example, the respondent from Beijing Mentougou District DMO (district-level governmental DMO) noted:

*“...Event hosting is really a good way to market our destination and then enhance our image to tourists...”*

The same respondent further mentioned:

*“...The positive image of our district is really helpful for attracting more and more tourists...The positive image has to build with comprehensive efforts from government and other tourism stakeholders...”*

The above evidence also indicated the close relationship between the functions of ‘marketing’ and ‘collaboration’ for Chinese local DMOs. Due to the fragmented nature of tourism destinations, it is rational to accept various individual stakeholders who offer different products but still serve the same purpose in the tourism industry (Bramwell and Alletop, 2001). On the other hand, many scholars (Grangsjö, 2003; Fyall and Garrod, 2004; Wang and Xiang, 2007) have argued that it is impossible for the efforts of a sole stakeholder to develop a holistic image of the destination and thus achieve the ultimate goal of successful destination marketing. Collaborative marketing can increase a destination’s long-term competitiveness (Palmer and Bejou, 1995; Fyall and Garrod 2004; Vernon, Essex, Pinder and Curry, 2005). Furthermore, Bramwell and Sharman (1999) noted that both tourism stakeholders and local destinations benefited from collaboration. Additionally, Rathmell (1966) argued that service operation was supposed to contribute to the marketing effort. In the research, the function of ‘operator’ was also

highlighted by Chinese local DMOs. Therefore this research shows that Chinese local DMOs seem to mainly operate the destination by the strategy of collaborative marketing.

Thirdly, in the research lower level DMOs make a strong mention of the function of 'statistic'. Jinshitan National Holiday Resort (local SOE DMO) showed their attention to statistics and the analysis of consumer markets, to get a better understanding of tourism demand. Indeed, the respondent from Jiangsu Province Suzhou City Wuzhong District DMO (district-level governmental DMO) said:

*"...Collection of tourist statistics is one of our main works...We normally survey the tourist satisfaction and such work is designated by the higher level DMO... Those statistics will be submitted back to the higher level DMO finally..."*

The above explanation on the function of 'statistic' for Chinese lower level DMOs is similar to the findings of Stuart (2010) who noted that lower level DMOs normally facilitate feedback from local stakeholders about local government initiatives. However, in the research local DMOs in China showed a contrary result in regards of the function of 'statistic' in the research. There is a big gap in the function of 'statistic' between Chinese local DMOs and other lower level DMOs (see Figure 7.2). The reason for this gap can be attributed to the nature of Chinese local DMOs, because according to Table 6.3, 85% of Chinese local DMOs are non-public organisations. It may be explained according to the discussion in previous sections.

Fourthly, Chinese lower level DMOs also perform several specific functions depending on the conditions of their local tourism development. In the research, many scenic spots' DMOs (New Barag Right Banner Tourism Bureau, Inner Mongolia; Chayuan County in Hangzhou City, Zhejiang Province; Longjing Tea Culture Village Management Committee in Hangzhou City, Zhejiang Province; Jiuhuashan Scenic Spot Management Committee,

Anhui Province) drew attention to the needs of preserving the ecological environment and natural resource, and building and improving public awareness on environmental conservation. Jiuhuashan Scenic Spot, Anhui Province is a famous destination for Chinese religious tourism, and in research the respondent from them notes that one of their functions is to deal with religious affairs and maintain political stability. The above evidence supported the argument of Howden (1992) who stated the role of DMO in tourism was limited to that core function of resource management. Furthermore, Tengzhou County DMO in Zhaozhuang, Shandong Province also noted the roles of safety supervision and health control in their routine functions. Indeed, Grundy (1994) suggested that lower level DMOs normally have a mandate to explicitly consider socio-economic and cultural concerns in their planning. Not surprising, Chinese lower level DMOs are similar to lower level DMOs in other countries in that they also work under the control of higher level governmental office and play a multipurpose role (Stuart, 2010).

Fifthly, the research shows that there is an obvious lack in the function of 'international relations' at the lower level of Chinese DMOs. According to Xu, Zhang and Wu (2010), Chinese regional tourism development is still mainly focused on the domestic market, therefore it may not benefit directly from China's entry into the WTO. The significant inequalities in income distribution between eastern coastal gateways and western and inland provinces have been a concern in China (Demurger, 2000; Zhang, 2001). The unbalanced economic development of China has resulted in poor education and funding in local regions, and this determines the limited levels of tourism development in many local regions (Liu, 2001). Thus the role of tourism being used as an international ambassador has long been neglected by Chinese lower level DMOs, particularly in the case of some less developed regions.

With special regard to district level DMOs, they show lower importance in the function of 'international relations' and 'administrator' than local and county level DMOs in the research. As discussed previously, a district is an urban unit that only exists in a city in China (Chung and Lam, 2004). In the words

from the respondent of Beijing Mentougou District DMO (district-level governmental DMO):

*“We mainly fulfil the work designated by city governmental DMO and manage general tourism activities within Mentougou district on the behalf of Beijing Municipality DMO.”*

In this case, Chinese district level DMOs seem to play an assistant role for city governmental DMOs, as Chinese urban districts are not independent units (Chung and Lam, 2004); and this may explain why district level DMOs do not emphasise strongly the function of ‘international relations’ and ‘administrator’.

To sum up, the main function of Chinese lower level DMOs is to concentrate on marketing their destination; this is achieved by building positive images through the collaboration and coordination of tourism stakeholders within the destination. Thus, Chinese lower level DMOs focus on operating their destination based on the strategy of collaborative marketing. Because Chinese lower level DMOs have limited administrative power, they aim to assist the higher level DMOs in local destination management. Thus, they normally fulfil tasks that are delegated to them by higher level DMOs. Chinese lower level DMOs also perform several specific functions which had not been listed in the original research questions. These specific functions depended upon the unique features of that destination’s tourism product. Due to the amount of private business that is involved in local DMOs, the factor of the type or nature is important when examining the functions of Chinese local DMOs. If the local DMO is a non-public one, then the main effort is economic maximisation; on the other hand, public local DMOs pay particular attention to the protection of the interests of various stakeholders, as well as attracting investment into developing the destination.

## 7.4 Conclusion

To sum up, Chapter 7 both examined and discussed the findings regarding the importance of functions for Chinese DMOs in relation to their nature and levels. Generally speaking, there was not much difference within Group 1 functions, which were 'economic driver', 'marketing' and 'coordination & collaboration' for different nature and levels of Chinese DMOs in the research.

Regarding the Group 2 functions, Chinese non-public DMOs attached obvious lower importance to the functions of 'operator', 'statistics' and 'training' in the research. Regarding the level of Chinese DMOs, Chinese local DMOs attached relative lowest importance to the functions of Group 2 in the research. As Chinese local DMOs were non-public in the research, the findings showed consistency in the fact that Chinese non-public and local DMOs paid relative lower attention to the function of 'operator', 'statistics' and 'training'. On the other hand, Chinese municipality level and city level DMOs showed particular higher importance to the functions of Group 3 in the research. A Chinese municipality was defined as a provincial-city in China, therefore a Chinese municipality could be described as a city with provincial administrative functions. So the conclusion can be drawn that Chinese public higher city level DMOs paid more attention to the quality of tourism product and services in their operation. They also placed more emphasis on tasks of 'statistic' and 'training' in their management than non-public and lower level DMOs in the research.

Group 3 functions encompassed the functions of 'regulator' and 'legitimacy' in the research. Due to the fact that only governmental authorities had the rights to formulate the regulation for the industry based on the policies made by the state in China, only Chinese governmental DMOs had the particular function in formulating the regulation of tourism development in the destination. The findings from Chinese governmental DMOs attached particular highest importance in the function of 'regulation' than other DMOs, which was consistent with previous studies. Furthermore, Chinese public DMOs placed more emphasis on safeguarding the rights and interests of the consumer in

order to enhance the legitimacy of the industry than Chinese non-public DMOs in the research. Moreover, Chinese local DMOs placed the relative lowest importance in both of the functions in Group 3. The conclusion can be drawn that Chinese non-public local DMOs paid low attention in formulating the regulation of tourism development and ensuring the rights and interests of the consumer against any harm in the destination. In addition, city level DMOs and provincial DMOs placed particular high emphasis on both of the functions of Group 3. Thus, the results highlighted the findings that Chinese governmental DMOs showed particular highest importance to the functions of 'regulation' and 'legitimacy' than did other DMOs, especially for city level and provincial DMOs in the research.

The functions of 'public awareness', 'funding' and 'international relations' were in Group 4 in the research. Chinese private and lower DMOs showed particularly low attention to both functions of Group 4 in the research. By contrast, Chinese municipality level, provincial and city level DMOs gave more emphasis to both functions of Group 4 than did other DMOs in the research. Thus, the conclusion can be drawn that Chinese higher level public DMOs paid more attention in promoting public awareness and the international market in tourism development, and Chinese lower level non-public DMOs were weak in both of these functions. Furthermore, Chinese DMOs did not attach much importance to the function of 'funding' either. According to the research, Chinese public DMOs paid relative higher attention to the function of 'funding' as they were keen to take the form of PPPs to promote the destination. Indeed, Chinese city level (governmental) DMOs placed much more emphasis on the function of 'funding' than local (85% non-public) DMOs in the research.



## **Chapter 8 The PMSs adopted by Chinese DMOs: a general analysis**

### **8.1 Introduction**

Issues relating to the PMSs used by the participating DMOs are one of the central concerns of this research and therefore they are given much empirical attention. Chapter 8 and Chapter 9 concentrate on the results of the adoption of PMSs by Chinese DMOs and meet Objective 2.2. This chapter (Chapter 8) mainly aims to examine and discuss the results of the application of PMSs by all the Chinese DMOs in the research. The analysis of this chapter is from both of the two rounds of questionnaires that were carried out during the research survey. The results in the initial research phase were predicated on more numerical data gathered from the fixed options, and the latter interview questionnaire afforded a better understanding and refinement of the results.

In the first questionnaire, 16 performance measures were chosen to explore the work of Chinese DMOs; these measures were distilled from existing studies. The respondents noted the degree of importance for each performance measure in their DMOs. The second questionnaire provided open questions regarding the adoption of PMSs in Chinese DMOs and the respondents completed the questionnaire in great detail. In the second stage of data collection, qualitative data was collected that would provide a more detailed basis with which to examine the performance of the PMSs that were adopted by Chinese DMOs. The research then evaluates the adoption of the PMSs in relation to several real examples. At the end, a conclusion is provided to summarise the results of the above.

### **8.2 The PMSs adopted by Chinese DMOs in relation to their nature**

Table 8.1 showed the importance of each performance measure adopted by Chinese DMOs. In order to further explore those 16 performance measures, they were designated into 8 groups based on the key related characteristics for each performance measure; these groups are 'earning' (Net income; Profitability), 'marketing' (Quantitative marketing activities evaluation; Consumer-based brand equity), 'visitor' (Historical visitor statistics; Quality of the visitor experience), 'employee' (Staffing turnover statistics; Employee

satisfaction; Staffing specialised capacity), 'stakeholder' (Stakeholders statistics; Quality of stakeholder coordination), 'event' (Appropriateness of activities; Achievement of objective), 'operation' (Efficiency of operation; Effectiveness of operation) and 'innovation' (New product development).

**Table 8.1 Mean values of adoption of performance measures for Chinese DMOs**

No.	Performance Measures	Mean	Std. Deviation	Group	Mean for Group	Rank
P1	Net income	5.97	1.63821	Earning	5.75	2
P2	Profitability	5.52	1.77918	Earning	5.75	2
P3	Historical visitor statistics	5.86	1.67196	Visitor	5.90	1
P4	Quantitative marketing activities evaluation	5.84	1.58998	Marketing	5.72	3
P5	Consumer-based brand equity	5.60	1.66903	Marketing	5.72	3
P6	Staffing turnover statistics	4.53	1.88005	Employee	4.84	8
P7	Stakeholders statistics	5.60	1.60935	Stakeholder	5.52	4
P8	Quality of the visitor experience	5.87	1.61666	Visitor	5.90	1
P9	Quality of stakeholder coordination	5.44	1.67113	Stakeholder	5.52	4
P10	Employee satisfaction	4.89	1.93628	Employee	4.84	
P11	Appropriateness of activities	5.32	1.64291	Event	5.29	6
P12	Achievement of objective	5.25	1.77945	Event	5.29	6
P13	Efficiency of operation	5.38	1.77491	Operation	5.34	5
P14	Effectiveness of operation	5.30	1.82247	Operation	5.34	5
P15	New product development	4.96	1.80527	Innovation	4.96	7
P16	Staffing specialised capacity	5.10	1.79410	Employee	4.84	8

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

(Source: the author's own data)

A further examination of the mean value of these performance measures showed the following: the performance measure of 'net income' was ranked first, with an average score of 5.97; the performance measure of 'quality of visitor experience' was ranked second with an average score of 5.87; the performance measure of 'historical visitor statistics' which was ranked third with an average score of 5.86. Another performance measure which had an average score over 5.80 is 'quantitative marketing activities evaluation'. On the other hand, the lowest average score was gained by the performance measure of 'staffing turnover' at 4.53 and the second lowest performance measure was 'employee satisfaction', which was 4.89. Another performance measure that scored below 5.00 was 'new product development', which attained a score of 4.96. Thus, the conclusion can be drawn that the Chinese DMOs in this research paid more attention to the groups of performance measures relating to 'earning', 'visitor' and 'marketing', and less attention to the groups of performance measures relating to 'employee' and 'innovation'.

#### 'Visitor'

Generally speaking, the quality of the aspect of 'visitor' performance measurement has been given top priority by Chinese DMOs. In regard to the 'visitor' group, the performance measures that relate to aspects of visitor experience were shown the highest importance by Chinese DMOs in the research. The performance measure of 'historical visitor statistics' (mean = 5.86) has been one of the most common and traditional approaches in measuring the achievement of business (Seaton, 2001); this is also recognised by the Chinese DMOs in the research. According to the second questionnaire, the statistics of the number of visitors is an important part of the PMS that are adopted by Chinese DMOs. This importance is highlighted by many respondents; for example, the respondent from Beijing Mentougou District DMO (district-level governmental DMO):

*"...The number of visitors is one of the most important indicators to evaluate our work performance..."*

The respondent from Ma'an City DMOs (city-level governmental DMO) also highlighted the importance of measuring the number of visitors for PMS by the words:

*“...The number of visitors is an inflexible measure in our PMS...”*

Indeed, Seaton (2001) supported the argument about the importance of the use of historical visitor statistics in tourism studies, noting that counting the number of visitor arrivals had for a long time been an obvious common measure in the tourism industry. Historically, Paraskevopoulos (1977) suggested that visitor nights were a more basic parameter for tourism demand. Due to the difficulty in collecting cross-sectional tourist expenditure data, tourist numbers become a considerable indicator for measuring market demand (Barry and O'Hagan, 1972). Indeed, Seaton (2001) further noted that visitor data remains the starting point for tourism accounting and destination evaluation because it tracked the things that people actually did, such as visitor numbers, visitor expenditures and occupancy.

Furthermore, it is well known that the core product of tourism relates to the beneficial experiences gained (Ritchie, Tung and Ritchie, 2011; Kim, Ritchie, McCormick, 2012). Visitors are considered as the end purchaser in the entire tourism industry, and as such the quality of their experience has become one of the most important behavioural indicators to measure the performance of operators (Yu, Chancellor and Cole, 2011). In the research, the performance measure (P7) 'quality of the visitor experience' (mean = 5.87) tallied with previous studies to show the importance of measuring visitor experience among participating Chinese DMOs. According to the words by the respondents from Beijing East District DMO (district-level governmental DMO):

*“...Our task is to provide and enhance a unique travelling experience for the visitors, so it is also important to measure whether this goal is achieved...”*

A similar statement was also given by Hunan Provincial DMO (provincial governmental DMO). The respondent there noted:

*“...Positive visitor experience is the key in measuring all aspects of our contribution...”*

Indeed, the fundamental goal of destination management is to assess the adequacy and effectiveness of the product, facilities, services, and programmes that altogether provide memorable destination experiences for visitors (Pine and Gilmore, 1999). Experience was defined as “an existing but previously unarticulated genre of economic output” by Pine and Gilmore (1999: xxiv); they further describe ‘experience’ as “guided transformation” of customers invited to play a role in a script that is just short of complete without them. The quality of visitor experience focuses on the quality of such an emotional transformation on the part of the visitor (McMullan and O'Neill, 2010). Morgan (2010) stated that the quality of the visitor experience could be identified by the attitude of visitors to the destination. Indeed, Seaton (2001) highlighted the necessity of examining the pre and post-visit attitudes of visitors, and noted that the attitudes and awareness of the visitors were vital to the success of destination development. Morgan (2010) also stated that tourists’ experience determined the effect of satisfaction and loyalty to the destination. In fact, a core destination management activity is the periodic monitoring of visitor satisfaction (Crouch and Ritchie, 1999). The research also supported existing studies about the importance of DMOs including visitor satisfaction in their PMS. For example, the respondent from Hunan Province Phoenix Ancient County DMO (county-level governmental DMO) noted:

*“...We are satisfied if visitors are satisfied...”*

The respondent of Beijing Mentougou District DMO (district-level governmental DMO) also indicated:

*“...The ultimate goal of our work is to achieve visitor satisfaction...”*

### ‘Marketing’

As also discussed in Chapter 6, one of the most important tasks for DMOs was to generate tourist visitation for a given area (Gretzel, Fosenmaier and O’Leary, 2006). DMOs are generally responsible for developing a unique image of an area, coordinating most private and public tourism industry constituencies, providing information to visitors in order to attract people to visit a particular destination (Prideaux and Cooper, 2002). In the research, ‘marketing’ represents the most-acknowledged sector in the whole DMO system, and the PMSs of the DMOs attached relative higher importance to marketing. Many DMOs have increased their attention and budget in marketing activities (Seaton, 2001; Dore and Crouch, 2003; Pike, 2004). Thus having a suitable measure of performance is important for examining whether or not marketing strategies are effective. The respondents from Chinese DMOs mentioned the necessity of measuring the performance of the marketing effort; for example, Shanghai Municipality DMO (municipality-level governmental DMO) noted:

*“...Our PMSs are established towards the goals of marketing strategy...”*

The above statement gives an indication of the main content of the PMSs adopted by Chinese DMOs. As also discussed previously, marketing is the role that DMOs cannot neglect at any level (Dore and Crouch, 2003). Thus a measurement that is particularly related to the function of marketing seems to be necessary within PMSs adopted by DMOs. The performance measure of ‘quantitative marketing activities evaluation’ is given relative high importance (Mean = 5.84) by Chinese DMOs in the research. Regarding the issue of the measurement of marketing activities, Chinese DMOs noted a concern about the time-period of the evaluation of the marketing activities. For example, the respondent of Beijing East District DMO (district-level governmental DMO) stated that:

*“... It is equally important to evaluate the performance of marketing effort during the time of pre- and post- contribution...”*

Also, the respondent of Inner Mongolia Provincial DMOs (provincial governmental DMO) noted that:

*“...The importance is to measure the change in pre- and post-marketing effort...”*

These results showed a similarity with most studies regarding this argument, for example Pike (2004) stated that DMOs were keen to examine the outcome of their marketing effort. In fact, the expense of advertising is not only recognised by the payment of a one-off cost, it is also important to consider that a poor performance subsequent to advertising can indirectly impose costs if an implicit promise of superior performance is not met (Jain and Wu, 2000). Thus, the importance of measuring, over two time periods, the performance of the marketing effort is consequently highlighted. Seaton (2001) stated that measuring the achievement of each marketing approach through pre- and post- measures, such as branding of consumer responses, was of real importance. Historically, the earlier study by Davidson (1994:538) stated that the importance of such studies was that “In essence, the science of predicting human behaviour – of which advertising evaluation research is a branch – is at best imprecise”. Faulkner (1997) suggested that an easier way to measure the performance of marketing was to investigate the relationship between the strategy adopted by the operators and the change in consumer behaviour.

Furthermore, ‘consumer-based brand equity’ (Mean = 5.60) was another performance measure with relative high mean value in the ‘marketing’ group of measures in the research. This performance measure is concerned with how well branding works for the DMOs. There was little qualitative evidence regarding this issue in the second questionnaire. However, the respondent of Hunan Province Phoenix Ancient County DMO (county-level governmental DMO) stated:

*“...Only the brand of Phoenix Ancient is well-known in the market, we can then say we successfully position ourselves...”*

The above statement implied that an increased recognition of the destination was really important to the success of marketing for DMOs. Indeed the respondent's statement showed awareness that differentiation is an important measure in destination branding (Blain, Levy and Ritchie, 2005). Blain et al (2005) also believed that destination branding activities should also focus on maintaining and enhancing visitor loyalty so as to ensure the long-term success of the destination. Thus, visitor loyalty may be seen as another indicator by which the performance of destination branding can be measured. Visitor loyalty also implies that branding evaluation can be discussed along with consumer behaviours. Indeed, consumer satisfaction is essential to long-term business success, and one of the most frequently researched topics in marketing (Jones and Suh, 2000; Pappu and Quester, 2006; Nam, Ekinici and Whyatt, 2011).

#### 'Earning'

In the research, Chinese DMOs also found the higher importance in measuring the performance of the aspect of 'earning' in their PMSs. Initially, PMSs were primarily based on management accounting systems (Gomes et al., 2004). Indeed, earnings are the summary measure of firm performance produced under the accrual basis of accounting, and this approach has been widely adopted by a variety of users (Dechow, Ge and Schrand, 2010). The result of the research was also consistent with the study of Simmons et al. (2007) who argued the importance of measuring various yields for DMOs. The necessity of earnings was highlighted in the PMSs that were adopted by Chinese DMOs, for example the respondent from Hubei Province Wudang City Taichi Lake Water Amusement Company (local SOE DMO) commented:

*“The ability of earning is always one of the necessary indicators to determine the success of the destination.”*



A study by Pelaez et al (2001) found that, at the regional level, the size of commercial margin had been considered as one of the most important indicators in measuring tourism expenditure and total tourism production. However, determining commercial margins is usually a complicated task. At the most basic level, commercial margins are considered to be the difference between the cost price and selling price of a product. The indicator of net income refers to the balance that remains with a business after all the costs and expenses are subtracted from the total revenue. Thus, the indicator of 'net income' gives Chinese DMOs a chance to examine commercial margins. That may be why the measure of 'net income' attracted the highest importance from Chinese DMOs in the research.

However, there is a new emerging argument regarding performance measurement that suggests that profit and profitability are two new indicators that could be adopted when seeking the ultimate goals for any business (Tonchia and Quagini, 2010). As also discussed preciously, profit indicates positive cash flows over time and, on the other hand, it can be seen as a positive commercial margin, i.e. 'net income'. The performance measure of profitability levels "justifies pouring investment funds back into the company, rather than funding other forms of investment" (Tonchia and Quagini, 2010:1). Thus, the indicator of 'profitability' was particularly mentioned in the first questionnaire because it encompasses the different implications apart from net income in the research. In the second questionnaire, the necessity of profitability in the PMSs of the DMOs is mentioned by several respondents. For example, the respondent from Sanya Dongtian Park Tourist Attraction, Hainan Province (local private DMO) noted:

*"...Destination development is unavoidable to be measured by the performance of profitability..."*

A similar statement was also made by the respondent from Hangzhou City DMO:

*“...DMO has responsibility to ensure the profitability for the destination and local community...”*

The participating DMOs gave a Mean value of 5.22 to the ‘profitability’ indicator, and a Mean value of 5.97 to the ‘net income’ indicator; therefore it can be seen that profitability is less important than net income for those DMOs. Thus, Chinese DMOs pay less attention to examining how much an investment returns to the organisation, and pay more attention to monitoring positive cash flow. But many problems can result if ‘net income’ is the sole measure of whether or not there is positive cash-flow in the DMO. According to Dechow (1993), problems might occur in reporting realized cash flows, as they are not necessarily informative. He further explains that “realized cash flows have timing and matching problems that cause them to be a ‘noisy’ measure of firm performance” (Dechow, 1993:4). Thus, Chinese DMOs are advised to enhance the measure of ‘profitability’ rather than simply rely on the indicator of ‘net income’.

#### ‘Stakeholder’

Due to the complex and multifaceted nature of tourism, DMOs face several challenges in the formulation and implementation of effective marketing strategies (Augustyn and Knowles, 2000). For instance, the numerous stakeholders involved in determining the role and development of an area as a tourist destination will unequivocally result in different interests and objectives, which ultimately must converge to support the marketed image of the destination (King, McVey and Simmons 2000). In the research, the measure of ‘stakeholders statistics’ (Mean = 5.60) and ‘quality of stakeholder coordination’ (Mean = 5.44) were respectively attached relative higher importance in PMSs adopted by Chinese DMOs. That finding supported existing studies (Blumberg, 2005; Spyriadis et al., 2009; Bornhorst et al., 2009) that the stakeholders’ contributions were important when measuring the effectiveness of a DMO. The contributions of stakeholders can be seen from two sides in the research. According to the second questionnaire, it was necessary for Chinese DMOs to measure the performance of subordinate

tourism organisations within the destination, irrespective of their nature, in order to ensure that every component of the destination runs properly. For example, the respondent from Inner Mongolia provincial DMO (provincial governmental DMO) noted:

*'...One part of our PMSs is to collect the performance measurement reports from every subordinate organisation such as lower level DMOs or tourism businesses...The aim is to evaluate every tourism organisation performance as they are all most important component in the destination of Inner Mongolia ...'*

On the other hand, the efforts of stakeholders can be seen in the area of improving the performance of a destination. According to the words by Beijing Mentougou District DMO (district-level governmental DMO):

*"...the achievement of Mentougou tourism development cannot separate the contribution by various stakeholders in the industry...Thus, the satisfaction of those stakeholders is also crucial to the success of Mentougou tourism development...Our PMSs also measure the satisfaction of stakeholders..."*

Indeed, DMOs are considered to "seek to 'orchestrate' decision making on design, organisation and management of relationships in the network, on which the economic performance of both DMO and its stakeholders depends" (d'Angella and Go, 2009:429). Many tourism literatures have focused on the evaluation of stakeholder collaboration (Jamal and Getz, 1995; Timothy, 1998; Bramwell and Sharman, 1999; Mandell, 1999); they all accept the point of view that the satisfaction of stakeholders is the key to determining the success of collaboration. Therefore DMOs should evaluate continuously the satisfaction and motivation of their stakeholders in order to improve collaboration with their counterparts in the marketing of the destination (d'Angella and Go, 2009).

Furthermore, the indicator of the number of stakeholders was also mentioned by some Chinese DMOs in the research. For example, the respondent of Beijing Mentougou District DMO (district-level governmental DMO) noted:

*“...The increased number of tourism public and private organisations may reflect the prosperous in the destination...”*

A similar statement was also provided by Fenghua County DMO in Ningbo City Zhejiang Province who noted

*“...The appearance of increased number of tourism businesses in Fenghua may indicate rapid development of the tourism industry and huge potential benefit for the local community...”*

Indeed, local communities are the focal place for the supply of accommodation, catering, information, transport, facilities and services for tourism development (Godfrey and Clarke, 2000). It is rational to see that tourism supply increases when demand increases. Consequently, the level of tourism development in an area can be reasonably measured by the size of stakeholder involvement.

### ‘Event’

With regard to the ‘event’ group of performance measures, both measures i.e. ‘appropriateness of activities’ and ‘achievement of objective’ were concerned with the effectiveness and efficiency of tourism activities by the operators. In the research, the ‘event’ group considers how Chinese DMOs evaluate the performance of special tourism events. As discussed previously, event tourism has become a new marketing approach for Chinese DMOs to sell tourism products and services. For operators, event tourism has the potentially great benefits of both promoting positive destination images, and also the positive branding of the destination (Allen, O’Toole, McDonnell and Harris, 2002). In this case, the necessity of measuring whether or not the achievements from event tourism are the same as those arguments put

forward for the hosting destination is agreed by many scholars (Lee and Taylor, 2005; Kim and Morrison, 2005; Getz, 2008). In the research, respondents also gave their attention to event evaluation, with relative higher importance (Mean of 'appropriateness of activities' = 5.32; Mean of 'achievement of objective' = 5.25) in their PMSs. According to the second questionnaire, several Chinese DMOs (e.g. Guzi Town DMO, Sichuan Province; Ma'an City DMO; Hangzhou City DMO; Xianning City DMO) noted that they had a formal 'post-event report' to assess the outcomes of hosting an event. However, in the context of evaluating an event, there is a lack of detailed examination of work by Chinese DMOs, which is due to there being very limited evidence in the research. Earlier work by Getz (1991, 1997) had discussed appropriate methods and measures for event evaluation, pointing out many issues and problems with the then current approaches. Dwyer et al (2000a) highlighted the need to develop a framework to determine the real degree of support that an organisation should provide towards the hosting of an event.

### 'Operation'

Regarding the group of 'operation', the measures of 'efficiency of operation' (Mean = 5.38) and 'effectiveness of operation' (Mean = 5.30) were two indicators concerning the performance of the DMOs' internal management system in the research. As discussed previously, the function of 'operation' considers how DMOs meet the objectives of the organisation. In this case, the measurement of 'operation' should assess the achievement, or otherwise, of efficiency and effectiveness within the DMOs. According to the second questionnaire, many Chinese DMOs (e.g. Hunan provincial DMO; Inner Monogolia provincial DMO; Beijing East District DMO; Guzi Town DMO, Sichuan Province; Beijing Mentougou District DMO; Ma'an City DMO; Hangzhou City DMO; Xianning City DMO; Phonxie Ancient City DMO, Hunan Province; and Ningbo City DMO) mentioned the necessity of measuring the internal management system in their PMSs. For example, the respondent from Ningbo City DMO noted:

*“...Our PMSs are to monitor the performance of internal management and external marketing...”*

The respondent from the Inner Mongolia provincial DMO said:

*“...Our PMSs focus on the effectiveness of routine (internal) work...”*

The above evidence showed that the evaluation of operations was seen to be an equally important measurement as marketing evaluation. In other words, Chinese DMOs seemed to divide their PMSs into an internal part and an external part; this supported the existing work of Presenza et al (2005) who suggested the activities of DMOs could be categorised as either External Destination Marketing (EDM) or Internal Destination Development (IDD). Indeed the respondent from Hunan Province Phoenix Ancient County DMO (county-level governmental DMO) noted that their PMSs concentrated mainly on internal government and also external marketing and promotion. However, there is a lack of research that examines the content of the internal PMSs that are used by Chinese DMOs, and then further comparing of those PMSs with the model of Presenza et al (2005).

#### ‘Employee’

This research found that the group of measurements related to ‘employee’, was seriously neglected by Chinese DMOs. According to Table 8.1, ‘staffing specialised capacity’ (Mean = 5.10), ‘staffing turnover’ (Mean = 4.53) and ‘employee satisfaction’ (Mean = 4.89) were the measures with the relative lowest importance. This is striking because many studies have made a strong assertion that human resources were one of the most valuable types of capital for an organisation, and one that is impossible to duplicate (Baum, Kokkranikal, Pender and Sharpley, 2005; Baum, 2008; Kusluvan, Kusluvan, Ilhan and Buyruk, 2010). Indeed, as Failte Ireland (2005a:8) pointed out, “the story of successful tourism enterprises is one that is largely about people—how they are recruited, how they are managed, how they are trained and educated, how they are valued and rewarded, and how they are supported

through a process of continuous learning and career development". Similar arguments were also mentioned by Olsen (1996) and Singh (1997), but they also indicated that, for a long time, the tourism business had sidelined the vital aspect of human resource development. In the research, the evidence of employment evaluation for Chinese DMOs supported the argument that they did consider the importance of human capital, but they neglected to promote and measure it properly.

According to the second questionnaire, many respondents (e.g. Beijing East District DMO; Beijing Mentougou District DMO; Hunan provincial DMO; Sanya Dongtian Park Tourist Attraction, Hainan Province; Guzi Town DMO, Sichuan Province; and Phoenix Ancient City DMO, Hunan Province) addressed the importance of human capital for their destination development and the urgency of generating sufficient numbers of well-skilled people for the workplace. The result supported the work of Presenza et al (2005) and Bornhorst et al (2009) who emphasised the importance of human capital in the success of DMOs. For example, the respondent from the DMO of Guzi Town, Sichuan Province (local governmental DMO) noted

*"...Our destination is looking for professional involvement in our town tourism development...Our town is supposed to develop with an increased knowledge basis and technical skill in order to deliver the best quality of product and service to the visitors..."*

Indeed, Baum (2008) stated the importance of talent management in the tourism and hospitality industry and defined the requirements for the talent who should encompass a bundling that went beyond the 'technical' to also incorporate emotional, aesthetic and informational processing and analysis dimensions with a strong focus on the delivery of service to diverse consumers. There is increased and strengthening emphasis of the importance of human resources in improving organisational performance; this is not only because they cannot be easily imitated by competitors, but also because they provide an effective and rapid response to market demands (Prahalad and

Hamel, 1990; Huselid and Becker, 1996). Furthermore, under the principles of relationship marketing, employees act as the internal market of an organisation, and it is important to determine what the quality of service would offer to the external market, representing the real customers. Many scholars (Pechlaner and Fuchs, 2002; Carter and Fabricius, 2006) have emphasised that effective DMOs need to focus on developing internal organisational capabilities and higher rates of professionalism, with investments in human capital and human resources (in terms of skills and competencies), and decision-making systems as well as procedures. Indeed, many scholars accept the relationship of the customer satisfaction construct to service quality (Pizam and Ellis, 1999; Kandampully and Suhartanto, 2000; Barsky and Nash, 2002). Customer satisfaction differs from quality, in that quality refers to the service output which is under the control of the organisation (Schofield and Fallon, 2000). In the research, the respondent of Beijing East District DMO (district-level governmental DMO) mentioned:

*“...well-trained workforce is our competitive advantage over competitors in the industry...”*

Indeed, an increasing number of scholars have concentrated on the use of competitive strategies that account for core competencies and capabilities within human resources (Lado and Wilson, 1994; Cho et al., 2006; Ortega, 2010). However, many respondents (e.g. Yatai Hot Spring Spa Hotel Resort, Hainan Province; Sanya Dongtian Park Tourist Attraction, Hainan Province; Huangyao Old Town in Zhaopin City Guangxi Province; Ningbo City DMO; Xianning City DMO; Ma'an City DMO; Jinshitan National Holiday Resort; Shuangta District DMO in Chaoyang City, Liaoning Province; Wuzhong District DMO in Suzhou City, Jiangsu Province; and Baise City, Guangxi Province) also gave a very negative expression regarding the question of 'employee' performance evaluation in their DMOs. For example, the respondent the DMO of Guangxi Province Zhaopin City Huangyao Old Town (local governmental DMO) noted:



*“...It is not fair in employment performance evaluation...”*

Similar answers also provided by the respondent from the DMO of Wuzhong District in Suzhou City, Jiangsu Province (district-level governmental DMO):

*“...The practical measurement does not accord to the theoretical measurement...most of the most time; employee performance is only measured by employer’s preference...”*

The respondent of Phoenix Ancient County DMO, Hunan Province (county-level governmental DMO) expressed similar views about the measurement of employee performance being mainly determined by the leadership, and being decided on a simple behaviour; the respondent explained:

*“...I just did very well in our DMOs’ annual report and I was awarded the best employee in the last year...”*

Also, the respondent from Guangxi Province Baise City DMO (city-level governmental DMO) even said:

*“...I do not think we have Human Resource Development...so how do we start to measure the staff performance?”*

The above information provided evidence of the poor evaluation of employment performance in Chinese DMOs. Yu (2008) examined the relatively backward position of Chinese destination development and blamed the problem on a lack of highly qualified and well trained workforce. Examination of the evidence also raised the need for establishing a comprehensive employment performance evaluation model. A similar argument was raised by Zhang (2006) who investigated the backward nature of the development of human resources of the tourism industry in Inner Mongolia, and highlighted the necessity of a systematic evaluation of the performance of staff. Numerous academics (Becker and Gerhart, 1996;

Hoque, 1999; Collins and Clark, 2003) had asserted that human resource management issues are increasingly essential to organisational performance. These management issues may appear under labels such as “core competence, intellectual capital, organisational capability, high performance work systems, process management, value-based teams, and high performing teams” (Ulrich et al., 1997:1). The necessity of refining the PMSs of Chinese DMOs was also highlighted in this research.

### 'Innovation'

In addition, this research showed that Chinese DMOs fail to track the performance measurement of 'New product development', shown in the 'innovation' group (Mean = 4.96) in Table 8.1. Furthermore, the second questionnaire for this research did not reveal any evidence regarding new product development in PMSs adopted by Chinese DMOs. Yet Peters and Pikkemaat (2005) commented that new product development had the capacity to create additional value for customers as well as providing sustainable growth for the organisation. Indeed, Mazzanti et al (2006) proved the relationship between innovation performance and firm performance. In the study of Spyriadis et al (2009), 'innovation' was also discussed as one of the facets that DMOs should assess.

Innovation and new service development are key strategic parts of the skills portfolio that every industry needs to assure its long-term future growth. These skills are required particularly in those industries where markets are saturated, and clients can choose products and services from all over the world, as is the case in the tourism industry. Today's competitive industrial environments require an increasing emphasis on continuous innovation as a value-creating (or value-adding) activity; this implies a forward-looking approach and signifies the need for performance measurement frameworks to have a particularly sharp focus on key performance indicators such as innovation and new service development (Kaplan and Norton, 2001). Indeed, product development is considered a key marketing principle. Wang and Xiang (2007) proposed that successful destination management featured two

principal strategy outcomes, expansion of markets and development of products; they further explained that the expansion of the market was achieved principally through marketing. Product development, on the other hand, was described by Porter (1998) as the creation of offerings perceived industry-wide as being unique (Buhalis, 2000). These studies (above) all indicated that there was a close relationship between new product development and the principle of marketing. However in this research, the measure of 'innovation' was separated from the measure of 'marketing' for a special consideration of PMSs adopted by Chinese DMOs. This was due to the results of the research not proving existing arguments.

### **8.3 Conclusion**

In summary the PMSs adopted by Chinese DMOs was found to place an emphasis on the aspects of 'earning', 'marketing' and 'visitors'. They also paid much attention to evaluating the performance of 'stakeholders' and the effectiveness and efficiency of 'operation' and 'event'. In contrast, Chinese DMOs paid relative little attention to measuring the performance of 'employment' and the outcome of 'innovation'. In the next chapter, the detailed emphasis of PMS application for different DMOs in relation to their nature and levels will be further examined and discussed.

## **Chapter 9 The PMSs adopted by Chinese DMOs: in-depth analysis**

### **9.1 Introduction**

As mentioned previously, Chapter 8 and Chapter 9 concentrate on the results of the adoption of PMSs by Chinese DMOs and meet objective 2.2 of the research. This chapter (Chapter 9) mainly aims to further examine and discuss the application of PMSs by Chinese DMOs in relation to their nature and levels. As with previous chapters, quantitative data were initially analysed by their mean value. At the same time, a radar chart approach was used to graphically present the difference between the organisational nature and administrative levels at which Chinese DMOs operate; with the differences being displayed by the size of the gaps in each axis. In addition, qualitative data from the second questionnaire was also included in the analysis in order to further support and refine the results of the research.

The structure of this chapter is as follows: firstly, the analysis of the adoption of PMSs by Chinese DMOs in relation to their nature is examined and discussed. Secondly, the emphasis of PMSs' adoption by different levels of Chinese DMOs are specifically examined and discussed, together with the previous results regarding the nature and functions of DMOs. Thirdly, a refined PMSs model for Chinese DMOs is discussed along with the practical implications for the adoption. Finally, the conclusion summarises the main findings of the above work as a whole.

### **9.2 The PMSs adopted by Chinese DMOs in relation to their nature**

As also discussed previously, in this research Chinese DMOs are divided into public and non-public sectors. Thus, the PMSs of Chinese DMOs also need to be further examined and discussed in relation to their nature. Table 9.1 provides detailed qualitative information about the relative emphases that Chinese DMOs of different nature place on performance measures adopted in their PMSs. Figure 9.1 then presents graphically the results indicated in Table 9.1.

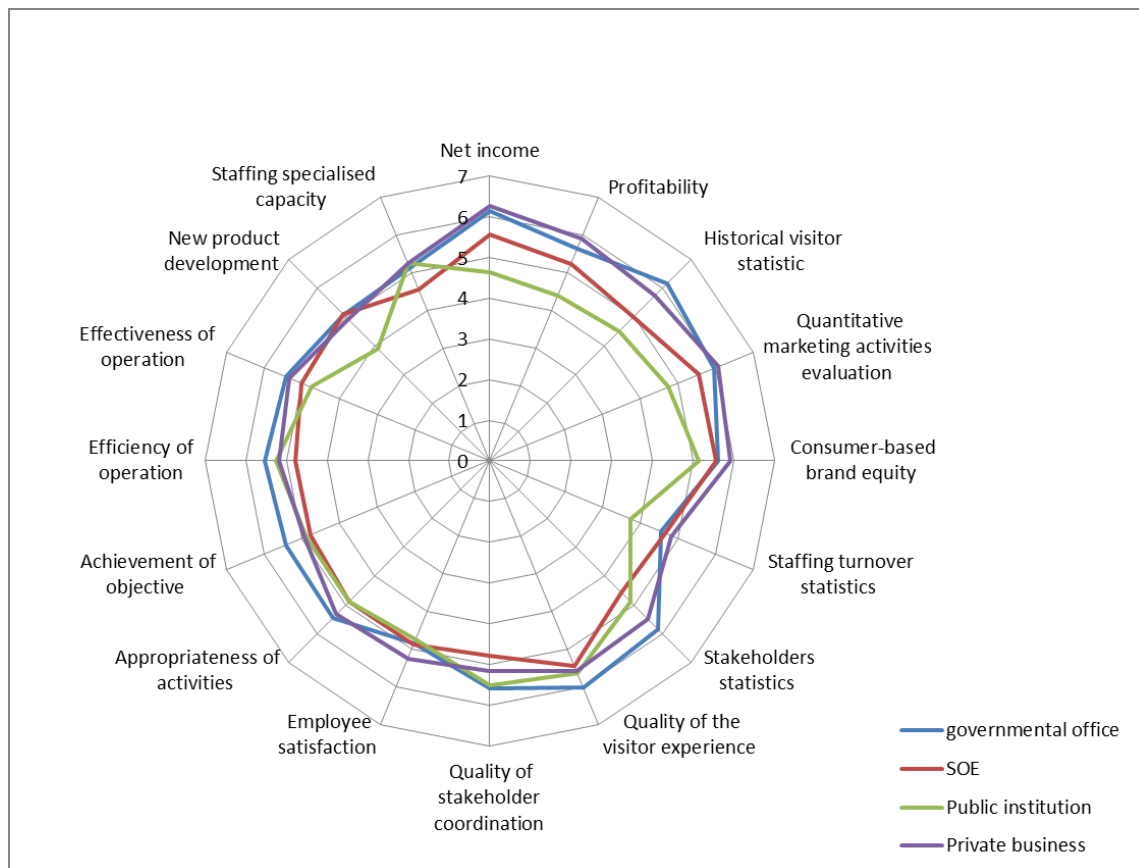
**Table 9.1 The performance measures adopted by Chinese DMOs in relation to their nature**

<b>No.</b>	<b>Performance Measures</b>	<b>Governmental office</b>	<b>SOE</b>	<b>Public institution</b>	<b>Private business</b>
<b>P1</b>	Net income	6.14	5.56	4.63	6.25
<b>P2</b>	Profitability	5.63	5.22	4.38	5.92
<b>P3</b>	Historical visitor statistics	6.17	5.00	4.50	5.75
<b>P4</b>	Quantitative marketing activities evaluation	5.97	5.56	4.75	6.08
<b>P5</b>	Consumer-based brand equity	5.61	5.56	5.13	5.92
<b>P6</b>	Staffing turnover statistics	4.55	4.67	3.75	4.83
<b>P7</b>	Stakeholders statistics	5.86	4.56	4.88	5.50
<b>P8</b>	Quality of the visitor experience	6.02	5.44	5.63	5.58
<b>P9</b>	Quality of stakeholder coordination	5.58	4.78	5.50	5.17
<b>P10</b>	Employee satisfaction	4.84	4.89	4.75	5.25
<b>P11</b>	Appropriateness of activities	5.44	4.89	4.88	5.33
<b>P12</b>	Achievement of objective	5.42	4.78	4.88	4.92
<b>P13</b>	Efficiency of operation	5.52	4.78	5.25	5.17
<b>P14</b>	Effectiveness of operation	5.41	5.00	4.75	5.33
<b>P15</b>	New product development	5.08	5.11	3.88	4.92
<b>P16</b>	Staffing specialised capacity	5.13	4.56	5.25	5.25

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

(Source: the author's own data)

**Figure 9.1 Importance of performance measures adopted by different nature of Chinese DMOs**



(Source: the author's own data)

According to Figure 9.1, the overall line of Chinese public institution DMOs is the closest line to the centre of the circle; this means that in their PMSs, Chinese public institution DMOs paid the least attention to those particular measures. On the other hand the line of Chinese governmental DMOs is closely twisted together with the line of private DMOs, and they are also far from the centre of the circle in the Figure 9.1 radar chart. Thus this research showed that Chinese governmental DMOs and private DMOs both attached very similar high importance to the given measures. Furthermore, the line of SOE DMOs stays between the lines of other natured DMOs. This indicated the relatively moderate importance to the given measures in their PMSs. Generally speaking, the results of this study were consistent with the study of Carter (1991) who stated that because private firms sought bottom-line profit, they paid much more attention to their PMSs. The following sections

specifically examine and discuss those differences between each nature of Chinese DMOs.

### **9.2.1 The PMSs adopted by public Chinese DMOs**

The issue of PMSs has been highlighted by the Chinese government in recent years. According to Burns and Zhou (2010), in March 2008 former Chinese Premier Wen Jiabao stated that the Chinese government would introduce 'performance management'. This was the first time that this phrase has appeared in an official document. Performance management can also be defined as 'managing for performance', or the systematic and integrated efforts to improve organisational performance in China (Burns and Zhou, 2010). Nowadays, Chinese central authorities initiated performance management reforms and then supervised the adoption by governmental authorities at any levels on a nationwide basis in a top-down manner (Burns and Zhou, 2010).

According to Figure 9.1, there is a significant gap between the lines of Chinese governmental DMOs and public institution DMOs in their PMSs adoption. Generally speaking, this research showed that Chinese governmental DMOs paid much more attention than Chinese public institution DMOs to the measures of 'net income' (P1), 'profitability' (P2), 'historical visitor statistics' (P3), 'quantitative marketing activities evaluation' (P4), 'consumer-based brand equity' (P5), 'staffing turnover statistics' (P6), 'stakeholders statistics' (P7) and 'new product development' (P15). Chinese public institution DMOs showed the poorest performance in measuring most of the aspects of PMSs, except of 'quality of stakeholder coordination' (P9) and 'staffing specialised capacity' (P16) in the research. On the other hand, two public DMOs showed the similar emphases in the measure of 'quality of stakeholder coordination' (P9), 'employee satisfaction' (P10) and 'staffing specialised capacity' (P16). It could be seen that the measures of 'employee satisfaction' and 'staffing specialised capacity' were given relatively similar, and lower, importance by all the DMOs in the research. In other words, the PMSs of Chinese governmental DMOs paid more attention than the PMSs of

public institution DMOs, to the measuring of the performances of 'earning' and 'marketing' in the research. Both Chinese public DMOs focused on measuring the quality of visitor experience, but public institution DMOs paid less attention than governmental DMOs to measuring 'historical visitor statistics'. Moreover, Chinese public institution DMOs paid similar higher attention in measuring the quality of stakeholder coordination with governmental DMOs, but they also lacked in measuring of the statistics about stakeholders. Furthermore, both Chinese public DMOs had paid less attention to measuring employment performance in their PMSs, also, in the research public institution DMOs were the lowest performers in measuring staffing turnover statistics in the research.

According to the second questionnaire, most of the respondents from Chinese public institution DMOs gave negative feelings about their PMSs. For example, the respondent from West Lake Scenery Zone Administration Committee in Hangzhou City, Zhejiang Province (local public institution DMO) noted:

*"...To be honest, our PMSs is mainly depends on the requirement of higher level administrative organisation...In other words, our performance is assessed by higher level organisation...In fact, they may not know us very well. In the most time, the accuracy of performance measurement reports is doubtable... Because of the measurement is too simple to assess our holistic performance..."*

Similar evidence was also shown in the words of a respondent from Longhu Mountain Destination Administration Committee in Yingtan City, Jiangxi Province (local public institution DMO):

*"...I do not think our PMSs can really reflect our performance...I think the problem is our current PMSs may be established and implemented by the separate higher level department ...There are too much personal feeling involved in the process of PMSs"*



The above words indicated the evidence of the performance of Chinese public institution DMOs seemed to be assessed by a separate higher-level department and the results of PMSs were not appreciated by staff of public institutions. The result was similar to other Chinese studies (Zhou, 2007; Xu, 2008; Wang and Wen, 2008) that Chinese public institutions were monopolised by Chinese governmental authorities, and that for a long time there had been neglect in the measuring of the performance of public institutions by governmental authorities in China. In fact, the effectiveness of Chinese public institutions had been doubted by many scholars (Feng, Wang, Ding and Ren, 2003; Shang, 2009). As Shang (2009) stated, Chinese public institutions were excessively dependent on external funding, and were without formal effective evaluation systems and this results in a poor quality of personnel. Shang (2009) particularly highlighted that there were many weaknesses within the current PMSs for Chinese public institutions; for example, the performance of a Chinese public institution was only measured by the scale of 'excellent', 'good' and 'qualified'. In the research, the respondent of Phoenix Ancient County DMO, Hunan Province (county-level governmental DMO) also mentioned the overly simple standards used in their PMSs; the respondent commented that:

*"...There is not much useful implications can be sought from our PMSs report as the performance of management and employment are only measured by 'pass' or 'not pass'..."*

As Shang (2009) stated, generally loose measurement was a common problem for most Chinese public institutions, and this made it difficult to assess the real performance of the workforce. By contrast, Chinese governmental DMOs showed relative better responses in the issue of their PMSs. Generally speaking, the respondents from Chinese governmental DMOs (e.g. Hunan provincial governmental DMO; Shanxi provincial governmental DMO; Inner Mongolia provincial governmental DMO) noted that once a year they conducted a relatively comprehensive formal evaluation to assess the performance of the entire organisation. Some of them, especially

in regions with a more advanced tourism development (e.g. Hunan provincial governmental DMO), conducted the performance evaluation on a half-yearly basis. Given the deeper insight into the content of PMSs adopted by Chinese governmental DMOs, some similar shortcomings were mentioned by the respondents in the research. For example, the respondent from Beijing Mentougou District DMO (district-level governmental DMO) noted:

*“...Our PMSs have two parts; one is evaluated by employees themselves and the other one is assessed by the organisation...Generally speaking, PMSs can reflect the real performance of our work at some degree. However, there are some miss-judgements at some times...”*

The respondent did not give a clear explanation of what the miss-judgements were, but also mentioned that

*“...Our PMSs do not assess the real outcomes of performance...”*

The respondents from Beijing East District DMO (district-level governmental DMO) also noted:

*“...It is not easy to judge the performance of our PMSs, but I personally think our PMSs could be better if more different perspectives assessment can be involved. So far, our PMSs are mainly assessed by the internal management. I think there is supposed more evidence from the outside of organisation, such as customer opinions...”*

Although the adoption of PMSs looked better in Chinese governmental DMOs than in public institutions, the effectiveness of those PMSs was still in doubt. Thus, the current issue of who should be involved in the PMSs of Chinese DMOs was highlighted. For example, Zhou and Dong (2010) argued that there was obvious government dominance in the PMSs of governmental authorities and public institutions in China. Thus, in the PMSs that were adopted by the public sectors in China, too much emphasis was placed on

assessment by governmental sources i.e. internal assessment, and therefore those public sectors missed out on the benefit of an assessment from outside their organisation (Zhou and Dong, 2010). In the research, the results showed that the PMSs of the Chinese public bodies in charge of China's tourism industry supported the argument of Zhou and Dong (2010) that there was a lack of comprehensive assessment for Chinese public PMSs. The research findings also gave the managerial implication that various tourism stakeholders should be involved in the process of performance evaluation in order to better contribute towards the holistic assessment of Chinese DMOs.

Furthermore the results of this research of the PMSs of Chinese public bodies showed that those bodies did not have a very positive attitude towards their employees. According to Table 9.1, the lowest importance for both governmental DMOs (Mean=4.55) and public institution DMOs (Mean=3.75) was the measure of 'staffing turnover statistics'. This implies that the PMSs of Chinese public DMOs seriously neglected the measuring of, i.e. might not pay attention to, staff turnover. In China, a job in the public sector is considered to be a job for life and therefore the employee has a permanent income which they would never lose irrespective of whether or not they work hard (Wei, Zhao and Liang, 2007). This issue of good job security may be the reason why staff turnover was neglected by the Chinese DMOs in the research. However, having a low paid but very secure job may decrease the initiative of the employees and may therefore result in an inefficient work performance for the Chinese public organisation (Wei et al., 2007; Zhou, 2012); thus, the employees may be dissatisfied with their workplace even though they will still work there.

### **9.2.2 The PMSs adopted by non-public Chinese DMOs**

Figure 9.1 shows that the PMSs of Chinese private DMOs, as opposed to Chinese SOE DMOs and other nature of DMOs, generally placed a higher importance on a given measure. There was a big gap between the line of Chinese SOE DMOs and private DMOs in the measures of 'net income' (P1), 'profitability' (P2), 'historical visitor statistics' (P3), 'quantitative marketing

activities evaluation' (P4), 'consumer-based brand equity' (P5), 'stakeholders statistics' (P7) and 'staffing specialised capacity' (P16). On the other hand, two non-public DMOs showed similar emphases in other given measures in the research.

Generally speaking, Chinese private DMOs paid more attention to assessing their outcomes in the aspect of 'earning' than SOE DMOs and public DMOs in China. As mentioned previously, the Chinese private DMOs of Taichi Lake Water Amusement Company in Wudang City, Hubei Province (local private DMO), and Sanya Dongtian Park Tourist Attraction, Hainan Province (local private DMO) gave evidence to highlight the importance of the indicator of profitability in their PMSs. Indeed, Carter (1991) argued the distinct difference between the public and private sector in performance assessment was whether they examined the bottom line profit. Theoretically, because managers are subjected to the pressures of the financial markets and to the monitoring and discipline of profit-oriented investors, privatisation might cause an SOE to operate more productively (Omran, 2004). In addition, the change in ownership structure of privatised SOE shifts the firm's objectives and managers' incentives away from those that are imposed on them by politicians, toward those that aim to maximise efficiency, profitability, and shareholders' wealth (Omran, 2004). Thus, the results supported these existing arguments and showed that the private DMOs place greater emphasis on financial measurement when compared with other nature of DMOs in China.

In addition, Chinese private DMOs showed a higher importance in the measures of 'marketing' than SOE DMOs and other nature of DMOs in China. Although there was no direct qualitative evidence to support this result in the second questionnaire, this situation also can be explained with the functions of Chinese private DMOs. As discussed previously, the effort of 'marketing' aims to lead ultimately to profitable outcomes (Kaynak and Hudanah, 1987). Many studies (Doswell, 1997; Buhalis, 2000; Ritchie and Crouch, 2003; Pike, 2004, Tian et al., 2011) believe that for DMOs the work of marketing is never-

ending; this is because they need to increase the numbers of visitors and to also promote regional economic development. Thus, Chinese private DMOs are keen to assess the success of the marketing strategies that underpin their goal of profit-maximisation.

In the context of the above statement, the result of the highest importance in the adoption of employment performance evaluation by Chinese private DMOs can be further discussed. Rafiq and Ahmed (2000) defined internal marketing as using a marketing-like approach to overcome internal organisational resistance for the purpose, amongst others, of creating motivated and customer orientated employees. A key theory outlined by Berry (1981) emphasised the desires of internal customers to have their needs satisfied; this comes with an assumption that by stimulating an employee's motivation and retention you would also be fulfilling the needs of that employee. In the research, although relatively less importance had been found in the adoption of employment performance evaluation by all the DMOs in China, of all the DMOs, private DMOs placed the relative highest emphasis on this aspect. In the second questionnaire, the respondent from Taichi Lake Water Amusement Company in Wudang City, Hubei Province (local private DMO) noted:

*"...We do very carefully in assessing and rewarding our employee performance...Employee performance is really important to determine the performance of our business..."*

Similar evidence was drawn by the respondent from Sanya Dongtian Park Tourist Attraction, Hainan Province that:

*"...Talent is a key resource in our business. We are working on attracting and maintaining the valuable human capital all the time...The issue of high staff turnover has been seriously concerned in our business...The accurate assessment of employment performance is a basis to maintain our employees."*

The above respondent provided further evidence that the performance of an organisation was determined by employment performance. In fact, employment performance is generally measured by looking at intangible indicators such as employee satisfaction, customer satisfaction and customer complaints (Cho et al., 2006). The indicator of staff turnover rate (Huselid, 1995) can also contribute to the evaluation of employment performance. The results of this research also support the point of view that employee satisfaction can lead to external satisfaction and loyalty. Many scholars (Cronin, Brady and Hult, 2000; Roos and Gustaffson, 2007; Dabholkar and Abston, 2008; Brown and Lam, 2008) have accepted the argument that customer repeat buying behaviour is the outcome of a perceived service quality that is created by well-trained employees. Thus, how employers can retain qualified employees who have the specialised capabilities which ensure the quality of service that they offer, has become a very important issue for many organisations. In the research, it is why for a profit-seeking sector, private owners pay much more attention to employment performance evaluation than other public sectors in China.

By contrast, Chinese SOE DMOs showed relative lower emphasis in measuring the employment performance in the research (see Figure 9.1). In most sectors, China's SOEs have faced intense competition and pressure to become more efficient, which is due to the emergence of the domestic private sector, as well as the growth of the foreign-controlled business sector. This competition has brought unprecedented challenges to state enterprises (Li, Lin, Selover, Stein, Wu and Yang, 2010). According to the second questionnaire, many respondents (e.g. Tianmu Lake, Jiangsu Province; Slender West Lake Hot Spring Resort in Yangzhou City, Jiangsu Province; Taichi Lake Water Amusement Company in Wudang City, Hubei Province) thought that the PMSs were mere formality in their DMOs. Historically, Chinese SOEs offered secure jobs, called the 'iron rice bowls', which meant that the employees enjoyed jobs-for-life and a cradle-to-grave welfare safety-net (Warner, 1996). However this situation has changed greatly since China's economic reforms aimed to 'smash the bowl' (Ding, Goodall and Warner,

2000). New appointments since the mid-1980s are no longer given life-long positions, but are given short-term renewable contracts instead (Tenev, Zhang, and Brefort, 2002). Bonus systems have been reintroduced to reward good performance, with the goal of improving the motivation of employees in Chinese SOEs (Chen, 1995). However, the deep-rooted problems of Chinese SOEs' employment practises still hinder the innovation of modern human resource practices (Fang and Nie, 2003). Thus, the results of the research supported these arguments and showed the lack of effective PMSs in the current employment system for Chinese SOE DMOs.

According to the limited evidence regarding the PMSs adopted by Chinese SOE DMOs, Chinese DMOs seemed to conduct a relatively simple form of PMSs to assess the performance of their organisations. To sum up the replies from Tianmu Lake, Jiangsu Province; Slender West Lake Hot Spring Resort in Yangzhou City, Jiangsu Province and Taichi Lake Water Amusement Company in Wudang City, Hubei Province, the main aspects of the PMSs that were used in DMOs of Chinese SOEs are:

- Attendance (considering the routine attendance of employees)
- Personal performance (how much has been done following the arranged work objective)
- Statistical analysis (including cost, profit, tourist satisfaction; statistical data comes from the statistics department and work with National Statistics Bureau)
- Regular meetings (regarding the scientific management level, rationale of strategic planning, new product development).

In China, SOEs managers have been given autonomy over pricing, investments, accounting, human resources, material supply and acquisition, and other decisions related to the operations of the enterprise (Child, 1987, 1999). However, Chinese SOEs have been seen as organisations with lower productivity, higher worker welfare costs, and perhaps higher amounts of investment (Li et al, 2010). There is also evidence that Chinese SOEs have much easier access than private firms to finance from the large SOE

Chinese banks (Hodgson and Huang, 2012). Due to this great indirect state support, Li et al (2010) suggested that Chinese SOEs had a greater laxity regarding their costs. However these ultimately false advantages from the state can result in low productivity in Chinese SOEs, and can also lead to low levels of initiative in their employees.

From the perspective of long-term sustainability, Chinese SOE DMOs should establish new globally competitive organisational structures which increasingly challenge their employees, rather than offering the employees stable and static conditions at work. The use of incentives is also suggested as a way to establish increases in employee initiative with the ultimate aim of delivering improvements in efficiency.

### **9.3 The PMSs adopted by Chinese DMOs in relation to their levels**

As discussed previously, the functions of Chinese DMOs varied depending upon the different levels of the DMOs. In this research there are six administrative levels of Chinese DMOs: Provincial, Municipality, City, District, County and Local. And these six administrative levels are broadly divided into the groups of higher-level (Province and Municipality), city-level (City) and lower level (District, County and Local). Table 9.2 displays each importance of performance measures adopted by different levels of Chinese DMOs. In order to simplify a large amount of data, Table 9.3 provides the importance for each of the broad levels of Chinese DMOs. Furthermore, Figure 9.2 shows graphically the findings of different emphasis for the different levels of Chinese DMOs in the research.

Due to limited contributions on PMSs adoption in relation to the organisation administrative levels, this section examines and discusses the emphasis of performance measures for each level of Chinese DMOs in relation to their functions and nature. Thus, the finding is presented as an integration of the results from the previous discussion and it also provides a holistic view on PMSs adopted by Chinese DMOs at different levels. The findings further



examine whether PMSs adopted by Chinese DMOs effectively evaluate forwards the objectives of organisations.

**Table 9.2 The performance measurements adopted by Chinese DMOs in relation to their levels**

<b>No.</b>	<b>Performance Measures</b>	<b>Provincial</b>	<b>Municipality</b>	<b>City</b>	<b>District</b>	<b>County</b>	<b>Local</b>
<b>P1</b>	Net income	6.33	6.75	5.83	6.14	5.77	6.00
<b>P2</b>	Profitability	6.17	6.50	5.13	5.00	5.77	5.60
<b>P3</b>	Historical visitor statistics	6.33	6.50	5.78	5.71	6.15	5.40
<b>P4</b>	Quantitative marketing activities evaluation	5.50	6.75	5.83	5.50	5.85	6.00
<b>P5</b>	Consumer-based brand equity	5.17	6.25	5.78	5.00	5.54	5.90
<b>P6</b>	Staffing turnover statistics	4.50	4.00	4.52	4.07	4.62	4.85
<b>P7</b>	Stakeholders statistics	6.17	6.50	5.87	5.36	5.38	5.40
<b>P8</b>	Quality of the visitor experience	6.17	6.75	6.00	5.21	6.00	5.75
<b>P9</b>	Quality of stakeholder coordination	4.83	6.00	5.74	4.86	5.77	5.15
<b>P10</b>	Employee satisfaction	4.67	4.25	4.96	4.21	5.00	5.35
<b>P11</b>	Appropriateness of activities	5.17	5.75	5.57	4.86	5.27	5.40
<b>P12</b>	Achievement of objective	5.17	6.00	5.52	4.64	5.31	5.15
<b>P13</b>	Efficiency of operation	5.00	4.25	5.83	5.07	5.42	5.35
<b>P14</b>	Effectiveness of operation	4.50	4.25	5.48	5.00	5.46	5.55
<b>P15</b>	New product development	4.33	5.25	5.09	4.57	4.96	5.20
<b>P16</b>	Staffing specialised capacity	4.83	4.25	5.39	4.29	5.31	5.30

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extremely important)

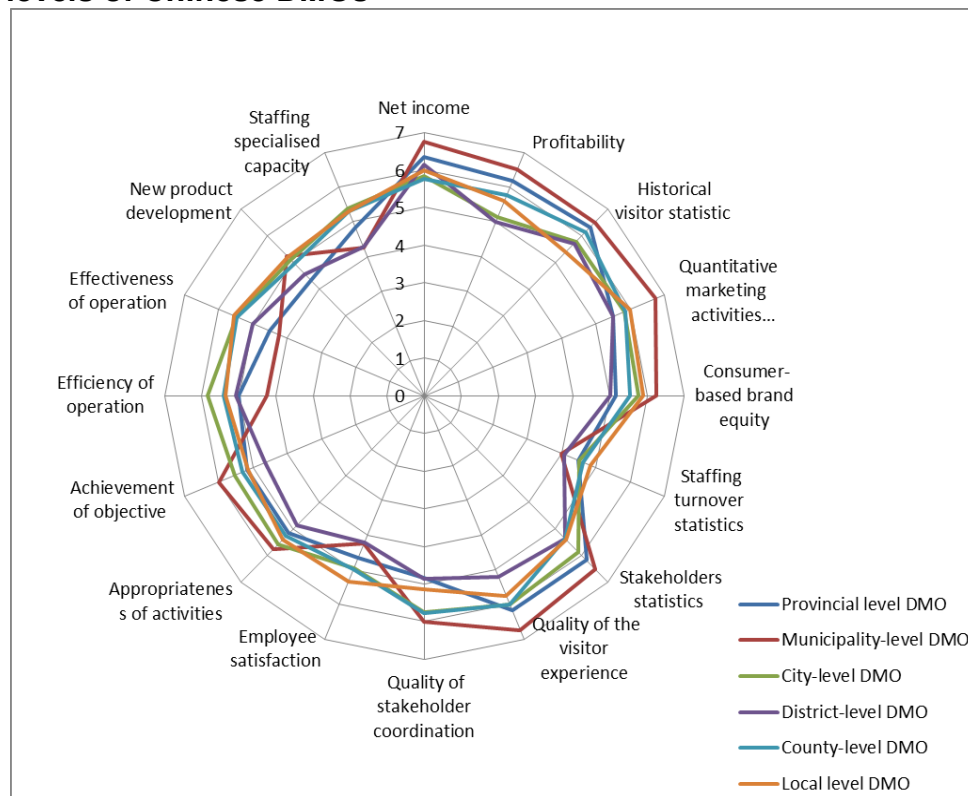
(Source: the author's own data)

**Table 9.3 The performance measurements adopted by Chinese DMOs in relation to their board levels**

<b>No.</b>	<b>Performance Measures</b>	<b>Higher-level</b>	<b>City-level</b>	<b>Lower-level</b>
<b>P1</b>	Net income	6.50	5.83	5.93
<b>P2</b>	Profitability	6.30	5.13	5.53
<b>P3</b>	Historical visitor statistics	6.40	5.78	5.80
<b>P4</b>	Quantitative marketing activities evaluation	6.00	5.83	5.82
<b>P5</b>	Consumer-based brand equity	5.60	5.78	5.53
<b>P6</b>	Staffing turnover statistics	4.30	4.52	4.57
<b>P7</b>	Stakeholders statistics	6.30	5.87	5.38
<b>P8</b>	Quality of the visitor experience	6.40	6.00	5.73
<b>P9</b>	Quality of stakeholder coordination	5.30	5.74	5.35
<b>P10</b>	Employee satisfaction	4.50	4.96	4.93
<b>P11</b>	Appropriateness of activities	5.40	5.57	5.22
<b>P12</b>	Achievement of objective	5.50	5.52	5.10
<b>P13</b>	Efficiency of operation	4.70	5.83	5.32
<b>P14</b>	Effectiveness of operation	4.40	5.49	5.38
<b>P15</b>	New product development	4.70	5.09	4.95
<b>P16</b>	Staffing specialised capacity	4.60	5.39	5.07

(Note: 1 means not important at all; 2 means unimportant; 3 means slightly unimportant; 4 means neutral; 5 means slightly important; 6 means very important; 7 means extreme important)

**Figure 9.2 Importance of performance measures adopted by different levels of Chinese DMOs**



(Source: the author's own data)

### 9.3.1 The PMSs adopted by the higher level of Chinese DMOs

According to Figure 9.2, the line representing Chinese municipality DMOs is the line that is the furthest distance from the centre of the circle at point P1 'Net income', P2 'Profitability', P3 'Historical visitor statistics', P4 'Quantitative marketing activities evaluation', P5 'Consumer-based brand equity', P7 'Stakeholders statistics', P8 'Quality of the visitor experience', P9 'Quality of stakeholder coordination', P11 'Appropriateness of activities', P12 'Achievement of objective' and P15 'New product development'. According to Table 9.2, it can be seen that the PMSs of Chinese higher level DMOs showed the most importance in measuring issues relating to the aspects of 'earning', 'visitor', 'marketing' and 'stakeholder'. Specifically, in the research Chinese municipality DMOs paid much more attention than provincial DMOs in measuring the performance of 'marketing', 'visitor', 'stakeholders' and 'event'.

As discussed previously, the DMOs of Chinese municipalities, as opposed to the provincial DMOs, concentrated on developing the tourism industry (Li et al., 2006) and they normally focused on a particularly customer-oriented approach in their management systems. As Kandampully (2000) stated, a customer-oriented strategy was effective in driving the performance of tourism management towards meeting the demands of tourists. Thus, it is rational to see that Chinese municipality DMOs pay more attention to matching tourism supply with tourism demand in the destinations. Furthermore, the previous results also showed that Chinese municipality level DMOs played a more active role than provincial DMOs in collaborating with various stakeholders in the industry. Thus, the aspects of 'visitor' and 'stakeholders' were without doubt the most important components of PMSs of Chinese municipality DMOs for assessing DMOs' contributions. Event tourism is one marketing approach that is discussed in the previous chapters. In the research, Beijing East District DMO (district-level governmental DMO) and Beijing Mentougou District DMO (district-level governmental DMO) highlighted the importance of event tourism in their destination; that result was consistent with the previous findings that showed that the PMSs of Chinese municipality DMOs paid more attention in measuring the performance of event tourism.

Moreover, in this research according to Table 6.7 in Chapter 6, of all the levels of DMOs, it was Chinese governmental DMOs that were the most active in the role of "economic driver" than other DMOs. Table 6.3 also indicated that all higher level DMOs were governmental offices in China. In this case, the result that higher level DMOs paid the highest attention in measuring the issues related to the aspect of 'earning' in their PMSs than other DMOs was also consistent with previous findings in the research.

### **9.3.2 The PMSs adopted by the city level of Chinese DMOs**

Tables 9.2 and 9.3 show that city level DMOs, as opposed to the other levels of DMOs in the research, take the most importance in the performance measures of: 'consumer-based brand equity' (P5, Mean=5.78), 'efficiency of operation' (P13, Mean=5.83), 'effectiveness of operation' (P14, Mean=5.49),

'new product development' (P15, Mean=5.09), 'staffing turnover statistics' (P6, Mean=4.30), 'employee satisfaction' (P10, Mean=4.96), and 'staffing specialised capacity' (P16, Mean=5.39). Generally speaking, this research showed that city level DMOs paid more attention in measuring issues related to the aspect of 'marketing'. In particular, of all the DMOs in the research, it was the PMSs of city level DMOs that paid the highest levels of attention to measuring the efficiency and effectiveness of their internal management system and employment performance.

According to the second questionnaire, Chinese city level DMOs (e.g. Ningbo City DMO, Hangzhou City DMO; Maan City DMO) showed a more frequent behaviour in their assessing of their organisational outcomes. This enhanced frequency was shown by the evidence of the timely monitoring of the progress of their work, sometimes even on a week-by-week basis, and the special evaluation of what was achieved after the hosting of each event. As discussed previously, Chinese city level DMOs showed relative higher importance in the functions of 'marketing' in the research. In the context of 'marketer', previous chapters of this research had discussed how Chinese city level DMOs played an extremely important role through branding their tourism product, and also through building and enhancing their unique image to the visitors. Amongst their functions, city level DMOs had also placed an emphasis on promoting event tourism. Therefore the research results consistently showed that Chinese city level DMOs paid more attention to measuring the function of 'marketing', and placed the most emphasis on their PMSs' measuring the outcomes of branding.

According to Table 7.2, it is Chinese city level DMOs, amongst all of the DMOs in the research that attach the highest importance to the functions of 'operator' and 'administrator'. Thus, the highest importance in measuring the efficiency and effectiveness of internal management and operation system also correlates with the objectives of city level DMOs in the research. Furthermore, the function of 'training' for Chinese city level DMOs is also highlighted in the research (see Table 7.2). According to Tables 9.2 and 9.3 it

is Chinese city level DMOs, rather than other DMOs in the research, that pay the most attention in employment performance evaluation. Thus the PMSs that were adopted by Chinese city level DMOs seemed to effectively assess the roles of the organisations in the research.

### **9.3.3 The PMSs adopted by the lower level of Chinese DMOs**

In the research, Figure 9.2 shows that the line representing Chinese local DMOs is significantly further from the centre of the circle in the points of: P6 'staffing turnover statistics', P10 'employee satisfaction', P14 'effectiveness of operation', P15 'new product development' and P16 'staffing specialised capacity'. This indicated that Chinese local DMOs paid more attention in measuring the performance of the aspects of 'employment', 'operation' and 'innovation' in their PMSs.

As discussed previously, the factor of the nature of the DMOs has been discussed along with the roles played by local DMOs. In this research 85% (n=17) of Chinese local DMOs are non-public sector DMOs (see Table 6.3). Thus, the emphasis of the PMSs that are adopted by Chinese local DMOs can also be used to examine the performance of non-public sectors. In the context of the previous statement, in China, the PMSs of DMOs in the non-public sectors emphasised the evaluation of employment performance; this was more noticeable for private DMOs rather than for SOE DMOs. Furthermore the function of 'marketing' was considered to be one of the most important roles for Chinese local DMOs. New product development is one possible marketing approach for expanding the market (Wang and Xiang, 2007). Thus, it was rational to see that Chinese private DMOs paid a lot of attention to assessing the performance of innovation, because by offering new products and services in the industry they could differentiate themselves from rival tourism destinations.

On the other hand, the line of Figure 9.2 representing district level DMOs is the line that is closest to the centre of the circle at the following points: 'profitability' (P2), 'consumer-based brand equity' (P5), 'staffing turnover

statistics' (P6), 'stakeholders statistics' (P7), 'quality of the visitor experience' (P8), 'employee satisfaction' (P10), 'appropriateness of activities' (P11), 'achievement of objective' (P12) and 'staffing specialised capacity' (P16). These findings indicated that district level DMOs in this research paid relatively less importance to the measures of 'marketing', 'employment', 'stakeholder', 'visitor' and 'event'. As discussed previously, Chinese district level DMOs played an assistant role for city (governmental) DMOs in dealing with tourism affairs; this was because a Chinese urban district was not an independent unit (Chung and Lam, 2004). Thus, the results of relative lower importance in many aspects of PMSs' adoption for Chinese district level DMOs could be explained by their limited administrative functions. In other words, Chinese district level DMOs might concentrate particularly on tasks that were assigned to them by city level DMOs and the PMSs of the district level DMO may focus in on specific tasks.

By contrast, Chinese county level DMOs did not give any literal evidence to confirm that they had formal PMSs or other forms of evaluation in their organisations. Instead, most of the time the issue of performance evaluation is dealt with via a paper report by Chinese county level DMOs (Phoenix County DMO, Hunan Province; Fenghua County DMO in Ningbo City, Zhejiang Province; Hanjiang County DMO in Yangzhou City, Jiangsu Province; and Tengzhou County DMO in Zhaozhuang, Shandong Province). In the second questionnaire, when discussing the question about PMSs, the respondents from county level DMOs used rather curt words. For example, the respondent from Tengzhou County DMO in Zhaozhuang, Shandong Province (county-level governmental DMO) merely gave the words of "very bad" in assessing the PMSs of their DMO, and the respondent from Fenghua County DMO in Ningbo City, Zhejiang Province (county-level governmental DMO) only noted the "need to improve" when assessing their PMSs.

According to Table 9.2, county level DMOs show the relative higher importance to a range of performance measures such as 'profitability' P2, Mean=5.77), 'historical visitor statistics' (P3, Mean=6.15), 'quantitative

marketing activities evaluation' (P4, Mean=5.85). Therefore broadly speaking Chinese county level DMOs placed an equal emphasis on assessing the performance of all aspects of their organisation. However, due to their overly simple and relatively under-developed approach to PMSs, Chinese county level DMOs lacked real performance measurements to establish an evaluation of whether or not they were meeting their objectives.

Table 6.3 of this research shows the following: 86% of district level DMOs and 85% of county level DMOs are governmental offices; while 14% of district level DMOs and 7% of county level DMOs are public institutions. Thus in this research it can be seen that lower level public DMOs in China are mostly at the administrative level of district or county level. During the research it was found that district and county level DMOs have, for a long time, suffered from poor quality PMSs. As the respondent of Shuangta District DMO in Chaoyang City, Liaoning Province (district-level governmental DMO) noted:

*"...In fact, we (employees) do not really care about the results of PMSs as it does not tell the truth and our performance is merely assessed by formalistic approach...Too much things are decided only that depends on the leader's preferences..."*

The study by Nin (2008) provided similar evidence, and revealed the fact that Chinese district and county level governmental authorities had serious individual preferences in their methods of evaluation; in part this was because they did not provide effective channels to communicate with various stakeholders, including the public, for the assessment of their public services (Nin, 2008). The problem of a lack of transparency in the PMSs adopted by Chinese public sectors has been widely discussed by many scholars (Zhou, 2004; Chen and Chen, 2007; Lan and Hu, 2008). The results of this research not only supported the previous studies, but they also highlighted the need for a model of modern systematic PMSs for Chinese DMOs.



Furthermore, the research suggested that the legal conscientiousness of the managers and operators of Chinese DMOs needed great and swift improvement. The respondent from Pinghe County DMO, Fujian Province (county-level governmental DMO) stated:

*“...Our leaders usually directly or indirectly ignore written regulations...”*

In the research, many DMOs (e.g. Beijing Mentougou District DMO; Pinghe County DMO, Fujian Province; Jingning County DMO, Zhejiang Province) had given a clear statement in relation to this issue. These respondents all mentioned that their DMOs were greatly controlled under the ‘rule by man’ not ‘rule by law’. This feature also explained the reasons why Chinese lower level public DMOs had a very negative attitude in assessing the PMSs adopted in their organisation.

Indeed, Kouzes and Posner (2010) noted that the behaviour of a person’s leaders could explain nearly 25% of the reasons why a person felt productive, motivated, energised, effective, and committed in their workplaces. In fact, the desire of employees to stay with an organisation is influenced by the tangible and intangible treatments they can obtain from that organisation (Holtz and Harold, 2012). Many studies (Tsai, 2011; Waldman, Carter and Hom, 2012; Holloway, 2012) have suggested that there is a strong relationship between the behaviour of leaders and the turnover of staff. Holloway (2012) specifically discussed the necessity of generating sufficient qualified staff in a non-profit organisation. As Drucker (1990) reported, the most important and toughest task for public leaders was that of getting the different stakeholders to agree on the long-term goals of the organisation. Without harmonious interactions with employees, it was difficult to achieve consensus within the organisation (Holloway, 2012) and the organisational performance might be greatly depressed (Wang, Tsui and Xin, 2011). The results of this research also accorded with the existing studies and implied that leadership was the key to influencing the performance of the individual employees as well as the whole organisation. Thus high levels of morality in the way that employees and

employers behave are central to the performance of an organisation. In order to increase their initiative, an employee's performance should be rationally assessed and rewarded.

Furthermore, in the research the authenticity of the PMSs' content was doubted by many of the respondents (e.g. Beijing Mentougou District DMO; Fenghua County DMO in Ningbo City, Zhejiang Province; Phoenix County DMO, Hunan Province). Due to the special social background, Chinese DMOs are based on a strict hierarchy of written laws, regulations and administrative directives. Thus, government controls can be seen across all the levels of DMOs in China. The lower level public DMOs have obligations to present their work performance to the higher level governmental authorities. In other words, the higher level governmental DMOs normally decentralise and devolve administrative power to subordinate units. Some respondents (e.g. Fenghua County DMO in Ningbo City, Zhejiang Province; Phoenix County DMO, Hunan Province) noted the fact that in order to present their activities in a positive light, the contents of reports might omit undesirable matters and practices, and purposely exaggerate achievements. This phenomenon had been highlighted by the respondent from Fenghua County DMO in Ningbo City, Zhejiang Province (county-level governmental DMO) that:

*"...Our current performance evaluation report is developed in relation to meeting the needs of government, rather than with a focus on the demands of the market and tourists..."*

The results of the research also indicated that the lack of systematic PMSs structure also led directly to ineffective reward and punishment regulations for Chinese DMOs. An effective incentive system has a major impact on the introduction of performance management initiatives (Conrad and Guven, 2011). Tying promotion and other rewards to performance has provided a powerful incentive that has driven the system (Burns and Zhou, 2010). Due to the fast-changing business environment in this generation, the need for well-organised and highly-qualified employment is highlighted (Heinrich and

Marschke, 2010). Without appropriate incentives, it is hard to retain the employee who is able to deliver the best service to the customer (Gambardella, Giarratana and Panico, 2010). The productivity of some public sector employees is seriously depressed due to the lack of incentives. Therefore, operators in the public sector should respond to increases in autonomy and strengthen the workers' performance incentives; as a result, the organisation should become more productive.

According to the second questionnaire, the unfair treatment of employees had created a serious brain-drain in many lower level DMOs in China. Although several of the respondents expressed that they had been regularly audited and trained in their DMOs (e.g. Beijing Mentougo District DMO; Donghu Moshan Attraction DMO in Wuhan City, Hubei Province), at some of the other DMOs (e.g. Beijing Mentougo District DMO), there is still much room for improving the staff appraisal mechanism. As Lan and Hu (2008) stated, China's strict top-down administrative model restricted the involvement of employees in the decision-making process, and might result in the employees feeling alienated towards the organisation that employs them. This alienation towards their employing organisation could affect the quality of the employees' outputs; therefore it is important to recognise how modern, systematic PMSs can be developed. This potential problem of alienation also highlights the focus of this research, and in particular it emphasises the importance of considering the role of human capital within an organisation.

#### **9.4 A refined model of PMSs for Chinese DMOs**

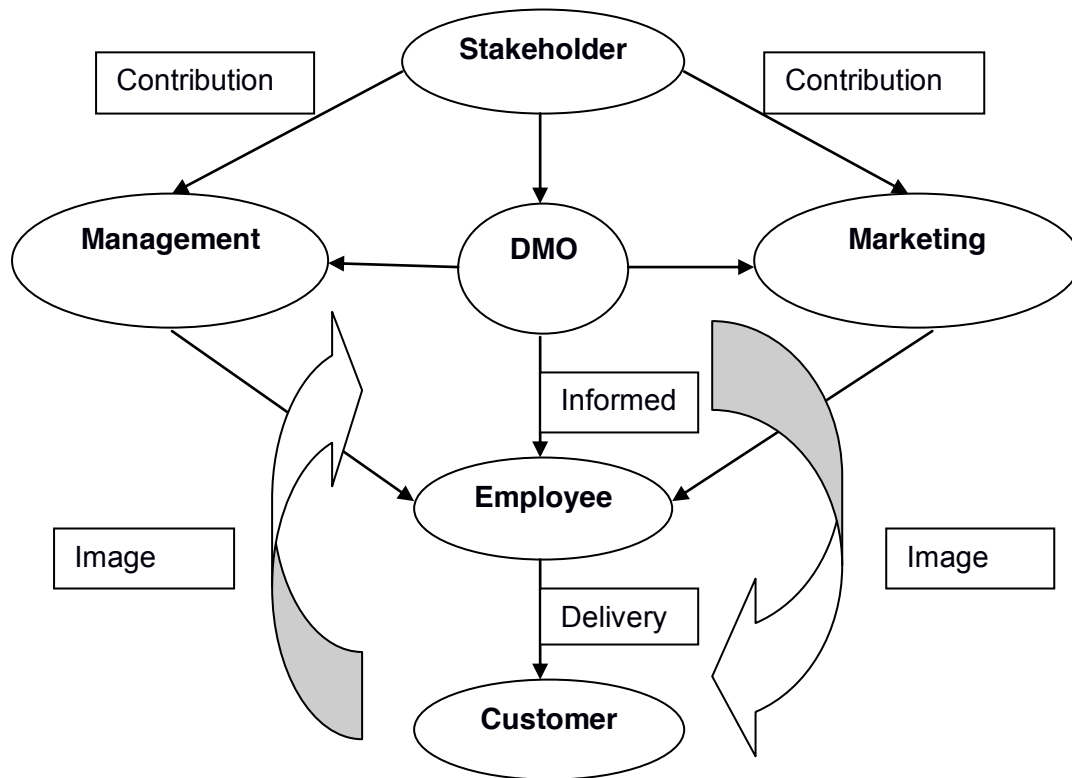
According to the above findings, the pre-designed framework for Chinese DMOs that is shown in Chapter 4 can be further refined. At a basic level the PMSs of DMOs are supposed to measure how successfully DMOs meet their predetermined objectives and functions; in other words, the content of the PMSs should reflect the actual operation of DMOs. In order to promote their destination, Chinese DMOs are engaged in formulating policy and coordinating the development of the tourism industry at that destination. Thus, the refined model of PMSs for Chinese DMOs (see Figure 9.3, below)

comprises the implications of policy formulation and policy implementation. In fact, policy formulation and implementation are not two separate steps, but they are rather closely coalesced and intertwined together (Zhang et al., 2002). The main stakeholders who are supposed to pursue the policy formulation and policy implementation are highlighted in the model as well. The process of policy formulation and implementation needs to be completed with the contributions of various stakeholders (Luke, 1984; Heymann, 1987; Bozeman and Straussman, 1990; Roberts and Bradley, 1991). Therefore the roles of 'employee', 'stakeholders' and 'customers', i.e. the main stakeholders in a DMO, are especially recognised in the refined model of the PMSs shown in Figure 9.3.

Two more aspects, 'management' and 'marketing' are added in the refined model, as these aspects provide for a more comprehensive consideration of the operations of an organisation. The aspect of 'management' means the internal management and operation system, including the abilities to generate revenue and run the operation effectively. The need for these core skills has been underlined by this research. On the other hand, the aspect of 'marketing' is highlighted in the refined model because it is extremely important for Chinese DMOs at any level. The aspect of 'marketing' is defined as any matter related to any forms of marketing and promotional contribution, including marketing approaches such as 'event' and 'innovation' that are carried out by the DMOs. According to the research findings, the aspect of 'management' comprises many managerial implications. However, the aspect of 'marketing' is considered as a separate function for Chinese DMOs. The reason why 'marketing' is especially singled out is because of its extreme importance for DMOs. Indeed, the terms of 'management' and 'marketing' for DMOs are also consistent with many previous studies (Pike, 2004; Presenza et al., 2005; Tian et al., 2011) that emphasise the equal importance, for DMOs, of the functions of management and marketing. Thus, the research also provides the evidence to support the statement that a DMO presents a Destination Management Organisation rather than a Destination Marketing Organisation. Due to different objectives for different nature and levels of

Chinese DMOs, each aspect of 'management' and 'marketing' may take different emphases for each case. However, the general functions of Chinese DMOs can be categorised into either of these aspects.

**Figure 9.3 A refined model of PMSs for Chinese DMOs**



(Source: the author's own data)

As has been well-discussed previously, a model of PMSs is comprised of various performance measures that are used for assessing the efficiency and effectiveness of each action. The PMSs for Chinese DMOs are supposed to check every aspect of their operation system, and aim to evaluate the outcomes and performance for each stakeholder of DMOs. Table 9.5 (below) shows that there are several different performance measures for assessing the performance of 'management', 'marketing', 'stakeholders', 'employee' and 'customer' for Chinese DMOs in the refined model of PMSs. Generally speaking, a refined model of PMSs is established to measure the performance of earning ability and efficiency, as well as the effectiveness of internal operation for Chinese DMOs in the aspect of 'management'. The refined model of PMSs is concerned with various marketing outcomes such

as general marketing activities, branding, event, and new product development in measuring the performance of 'marketing'. The refined model of PMSs also measures the performance of 'stakeholders' and 'customer' by quantifying the number of their involvement, and evaluating the satisfaction of that involvement. There are several measures to assess the performance of 'employee' outcomes in the PMSs for Chinese DMOs, such as turnover statistics, satisfaction evaluation and specialised capacity evaluation.

**Table 9.4 Performance measures for each aspect of refined model**

<b>Management</b>	<b>Marketing</b>	<b>Stakeholders</b>	<b>Employee</b>	<b>Customer</b>
-Net income -Profitability -Efficiency of operation - Effectiveness of operation	-Quantitative marketing activities evaluation -Consumer-based brand Equity -Appropriateness of activities -Achievement of objective -New product development	-The number of stakeholders statistics -Quality of stakeholder coordination	-Staffing turnover statistics -Employee satisfaction -Staffing specialised capacity	-Historical visitor statistics -Quality of the visitor experience

(Source: the author's own data)

There are several relationships in the refined model of PMSs that should be clarified further. Firstly, the role of stakeholders is to contribute their efforts to the DMO and achieve a 'win-win' situation for both of them. These stakeholder efforts are to not only make concessions to marketing, but to give equal importance to giving suggestions in the DMO's decision-making process. In the theoretical context of governance in China, the role of stakeholders is as a participant in the stage of policy formulation by the DMOs. However, in the context of real governance in China, the degree of involvement and contribution is seriously doubted. The biggest contribution for stakeholders to the DMOs is to implement the policy that is formulated by central government. Secondly, the role of employees is important to decision-making and also to the delivery of a quality product and service to the customer. The employee has a right to be informed of the content of the task

set by the DMO, but the employee also has an obligation to carry out those tasks diligently. Thirdly, the role of customer is taken to be another necessary component through which to express the outcomes and examine the efforts made by the DMO. The feedback of customer satisfaction reflects the image of the DMO. It is crucial for the future of a destination, for the DMO to be able to determine whether or not it is achieving repeat buying behaviours in the future.

The refined model of PMSs provides a pattern to assess and evaluate the performance of organisational outcomes that can be adopted by different DMOs in China. Chinese DMOs are supposed to achieve the objectives set out in the PMSs by completing the entire measures for each given aspect. According to the findings of this research, DMOs in China have a number of different shortcomings in the application of their current PMSs. Thus, the refined model of PMSs is developed to help Chinese DMOs to evaluate the outcomes and performance of their organisation, and also balance the emphases that are in their PMS applications.

The operations system of Chinese DMOs can be seen as a top-down model. It means that tourism policy decisions, to a large extent, are shaped in the top level of tourism administration. Although great progress has been made in the governance of China, tourism development in China still follows a government-led development pattern. However no matter how or what tourism policy is formulated in the government structure, the implementation of that policy will be done by various nature and levels of stakeholders. Therefore, The refined model of PMSs for Chinese DMO is developed for a top-down structure. Given the PMSs in Chinese DMOs is a very current and hot issue in China, managers from Chinese DMOs are realistic yet optimistic as shown in their words to the researcher below:

*“PMSs are indeed very important for Chinese DMOs’ development. However, it cannot be simply judged or even changed by pieces of words. There are too many political and managerial problems that limit Chinese economy development. So it does for the tourism industry in China. It is definitely that*

*Chinese tourism industry will be better and better, especially with professional contribution like you (author) in the future. However, it is still a long road in perfecting policy and standardising the market in the tourism industry. PMSs will play a very important role in achieving such goals. So far, China is too big to study and good luck to your research.”*

- the respondent from Hunan Province Phoenix County DMO.

Traditionally, the higher administrative levels of China's government have set targets for lower level administrators, and then held those lower levels to account for the completion of those tasks. Nowadays, the PMSs are widely practised, and targets have become increasingly specific, quantifiable, and linked to personnel outcomes (Burns and Zhou, 2010). The main beneficiaries of the current Chinese performance management reforms, and especially the 'objective responsibility system', have been lower municipal governments which now have levers that they may use to encourage the implementation of their own and higher-level policy goals (Burns and Zhou, 2010). These words show that the future of the current PMSs in China is not necessarily too gloomy; however, these words also have negative implications for the current PMSs adopted by Chinese DMOs. The previous discussions have shown PMSs are still one of under-developed components in the management and operations system of Chinese DMOs. However, the necessity of having a suitable PMS is increasingly appreciated by almost all managers and operators in Chinese DMOs. Although the frequency and emphasis of PMSs' adoption varies according to the different nature and levels of Chinese DMO.

## **9.5 Conclusion**

To sum up, the research found that Chinese governmental DMOs and also Chinese private DMOs placed similar levels of important emphases on measuring the given performance measures. Chinese public institution DMOs showed the poorest performance in measuring most of the aspects of their PMSs, except for the measure of 'quality of stakeholder coordination'. The research noted that Chinese governmental DMOs attached much higher



importance than public institution DMOs, to measuring issues related to 'earning' and 'marketing'. Compared to governmental DMOs, Chinese public institution DMOs also took few emphases in measuring the outcomes of the hosting event. Both Chinese public DMOs focused on the quality of visitor experience and stakeholder coordination in their PMSs, but public institution DMOs paid less attention to the task of 'statistics' of visitor and stakeholders.

Furthermore, the PMSs of Chinese governmental DMOs showed a slightly higher emphasis in the measuring of the performance of their internal management system. Additionally, the PMSs of both of the Chinese public DMOs showed less attention to measuring their employment performance, and in particular public institution DMOs had the lowest performance in measuring staffing turnover statistics. Moreover, Chinese private DMOs generally gave the higher importance in the given measures for their PMSs than other DMOs in the research. Chinese private DMOs also paid more attention than SOE DMOs and other public DMOs in China, to assessing their outcomes in the aspects of 'earning', 'marketing' and 'employment'. By contrast, in the research Chinese SOE DMOs showed relatively lower importance and poor performance in their PMSs' adoption, with particular consideration of human resource issues.

PMSs adopted by Chinese higher level DMOs were established and completed with regard to their functions. The PMSs of Chinese higher level DMO attached the most importance in measuring issues relating to the aspects of 'earning', 'visitor', 'marketing' and 'stakeholder'. Compared to the PMSs of provincial DMOs, Chinese municipality DMOs paid much more attention to measuring the performance of 'marketing', 'visitor', 'stakeholders' and 'event'. The PMSs of Chinese city level DMOs were also conducted to assess the functions of the organisation, with particular emphasis in measuring the performance of 'marketing', 'operation' and 'employment'. Chinese local level DMOs paid more attention to measuring the performance of the aspects of 'employment', 'operation' and 'innovation' in their PMSs and those aspects also accorded to the main functions for private DMOs in the

research. Due to the lack of systematic PMSs, Chinese county level DMOs showed relatively poor quality in their evaluation. Chinese district level DMOs were also weak in their PMSs due to their limited administrative functions.

Finally, the previous model of PMSs for Chinese DMOs was refined to produce a new model. There were five aspects to the refined PMS model, these were 'stakeholder', 'employee', 'customer', 'management' and 'marketing', and they were identified through their importance in the research. These five aspects were inter-woven, and work together closely in the refined PMS model for Chinese DMOs. The new PMS model was based upon the managerial and operational systems that were in place in Chinese DMOs.

## **Chapter 10 Conclusion**

### **10.1 Introduction**

Chapter 10 concludes the key findings and contribution of this research and also provides several practical implications for the adoption of PMSs in Chinese DMOs. The structure of this chapter is as follows: firstly, the chapter begins with a review of key findings which correspond to each research objective. Secondly, the contribution of the research is highlighted. Thirdly, several recommendations are offered in regards to the adoption of PMSs for various Chinese DMOs in relation to their nature and levels. Fourthly, research limitation is discussed, along with the issue of research methodology. Finally, the intention of further relevant study in the future is mentioned.

### **10.2 Key findings of the research**

The research was successfully completed and met its pre-planned aims and objectives in several ways. First of all, in order to provide a solid theoretical premise for the study that followed, the research began with a critical review of a large number of relevant sources of academic literature sources. Chapter 2 of the thesis gave a historical review of the broad discussions about DMOs and thus met the requirement of Objective 1.1 of the research. Chapter 3 focused on examining and discussing the development of Chinese DMOs, which completed Objective 1.2 of the research. Chapter 4 examined and discussed the main focus of this research, i.e. the PMSs of DMOs in China. With the model of PMSs for Chinese DMOs developed, Objective 1.3 of the research was met. So far, Aim 1 of the research was finally completed with the literature review. The above efforts also provided a basis for the study in the research that followed.

Chapter 6 to Chapter 9 examined and discussed the key findings of this research. Chapter 6 and Chapter 7 focused on the results of the functions of

Chinese DMOs and served Objective 2.1 of the research, while Chapters 8 and 9 concentrated on the results of the adoption of PMSs by Chinese DMOs and met Objective 2.2 of the research. So far, Aim 2 of the research was completely met. The key findings of Aim 2 are further summarised and discussed in the following sections.

### **10.2.1 Findings of the functions of Chinese DMOs**

Chapter 6 and Chapter 7 of the research found that, generally, Chinese DMOs paid their most important attention to playing the roles of “economic-driver”, “marketing” and “coordination & collaboration”. Irrespective of the different nature and levels of DMO, the research found that there was little difference in the degree of importance regarding those three functions. This finding was in accord with many studies, such as Morrison et al (1998); Ritchie and Crouch (2003); Dore and Crouch (2003); Pike (2004); Fabricius et al (2007); Bornhorst et al (2010); and Tian et al (2011). Thus, the conclusion can be drawn that in order to promote the common interests of the tourism industry, Chinese DMOs paid their heaviest attention to playing the role of economic driver so as to be marketing and promoting the destination through the coordination and collaboration of the various sectors of the industry.

Secondly, the research showed that Chinese DMOs attached a second level of importance to the functions of “operator”, “administrator”, “statistics” and “training”. Many scholars had also highlighted the importance of those roles for a DMO (Kerr et al., 2001; Williams and Buswell, 2003; Wang, 2008; Fyall, 2010; Tian et al., 2011). More specifically, Chinese public DMOs showed relative higher importance in those functions than non-public DMOs. The findings were also in accordance with the previous studies such as Zhang et al (1999); Zhang et al (2000); Huang (2004) and Wang (2007), which indicated the great contribution and involvement of governmental force in Chinese tourism development.

With regard to their levels, Chinese municipality level and city level DMOs placed noticeably higher importance than other DMOs on those three functions. On the other hand, Chinese local DMOs gave much lower attention to the functions of “coordination & collaboration”, “operator” “regulator”, “public awareness” and “statistics” compared with other lower level DMOs such as district level DMOs and county level DMOs in China. These results were further discussed in the consideration of the nature of Chinese local DMOs. In the research 100% of municipality level and city level DMOs, 86% of district level DMOs, and 85% of county level DMOs were governmental offices. However, only 5% of local DMOs were of a governmental nature DMO. Furthermore, there was no private component in district-level DMO and only one private business in county level DMO. However, 55% of local DMOs were private businesses and 30% of local DMOs were SOEs. Thus, the findings were in accordance with the previous discussion in relation to the nature of Chinese DMOs in the research. Thus, the conclusion can be drawn that Chinese public DMOs paid more attention to monitoring the quality of tourism products and services, working on tourism statistics and encouraging tourism education and training activities, particularly at municipality and city levels. In contrast, Chinese non-public DMOs placed less importance on such functions, especially at lower levels.

Thirdly, Chinese DMOs placed a relatively slight importance on the functions of “regulator” and “legitimacy” in the research. Chinese public DMOs placed more emphasis in both of those functions than Chinese non-public DMOs. Chinese governmental DMOs placed a higher importance on the function of “regulator”. In the research, Chinese provincial and city-level DMOs gave particular higher emphasis to the functions of “regulator” and “legitimacy”, while Chinese local DMOs showed the lowest importance to both of these functions. As discussed previously, Chinese non-public DMOs were only delegated the rights to ‘operate’ a destination by using policies and regulations formulated by the

central government, and Chinese governmental DMOs still had the central power to influence the business of lower level DMOs. Therefore, the factor of the nature of a DMO can explain why non-public DMOs at lower levels showed much different emphasis in their functions when compared with the other DMOs in the research. Thus, the conclusion can be drawn that Chinese public DMOs placed more emphasis on formulating tourism regulations for safeguarding the rights and interests of consumers, which was done in order to enhance the legitimacy of the industry, particularly at provincial and city level.

Fourthly, in the research Chinese DMOs paid less attention to the functions of “public awareness”, “funding” and “international relations”. At the local level, Chinese private business DMOs showed the lowest attention to those functions. By contrast, Chinese public DMOs placed more emphasises on those functions at municipality level, provincial and city level. Thus, the conclusion can be drawn that the DMOs of lower non-public in China paid less attention to the tasks of building the public awareness towards sustainable tourism development and promoting tourism to the international market. However in China, higher public DMOs gave a better performance than non-public lower DMOs in the aforementioned tasks.

### **10.2.2 Findings of the PMSs adopted by Chinese DMOs**

In Chapter 8 and Chapter 9 of the research, the establishment of PMSs was considered to serve the main functions of Chinese DMOs. Broadly speaking, Chinese higher level governmental DMOs, and private DMOs at lower level, showed the best performance to adopt the use of PMSs in their organisations. In contrast, Chinese public institution DMOs and lower level governmental DMOs showed a relatively poor quality of PMSs’ application in their organisations.

First of all, the research showed that Chinese DMOs paid the most attention to

measuring the aspects of “visitor”, “earning” and “marketing” in their organisations. These findings were also in accordance with many studies, such as Pike (2004); Presenza et al (2005); Simmons et al (2007); and Tian et al (2011). More specifically, Chinese governmental DMOs and private DMOs showed a similar high degree of importance to measuring those aspects in their PMSs. By contrast, Chinese public institution DMOs and SOE DMOs gave relatively less importance to those aspects. Given the regard of different levels of DMOs, Chinese higher level DMOs placed the most emphasis to measure the aspects of “visitor”, “earning” and “marketing” in their PMSs. For example, Chinese municipality DMOs paid much more attention to measuring the performance of those aspects than provincial DMOs. However, Chinese public institution DMOs gave particularly low importance to measuring the aspects of “visitor”, “earning” and “marketing” in their organisations in the research.

Secondly, Chinese DMOs placed a very strong emphasis on measuring the performance of the aspects of “stakeholder”, “operation” and “event”. These findings were in accordance with many studies, such as Pike (2004); Presenza et al (2005); Spyriadis et al (2009); Bornhorst et al (2009); and Tian et al (2011). More specifically, Chinese governmental DMOs and private DMOs showed the similar highest importance in measuring those aspects in their PMSs. Chinese public institution DMOs placed the lowest importance on measuring those aspects than other DMOs in the research, except for the measure of “quality of stakeholders’ coordination”. As regards to different levels of Chinese DMOs, Chinese municipality DMOs paid the most attention to measuring the performance of “stakeholder” and “event” in their PMSs. Chinese city level DMOs placed the second highest emphasis on those aspects in the research. By contrast, district level DMOs in China paid the least attention to measuring their performance regarding issues relevant to “stakeholder” and “event”. Chinese municipality DMOs, as well as provincial DMOs, paid surprisingly low

attention to measuring their performance of “operation”. On the other hand, Chinese city level DMOs and local DMOs gave the most emphasis to those aspects.

Thirdly, Chinese DMOs paid relative little attention to evaluating their performance of the aspects of “employment” and “innovation” in their organisation. However, in the research Chinese governmental DMOs and private DMOs showed a better performance in this situation than Chinese public institution DMOs and SOE DMOs. With regard to different levels of Chinese DMOs, Chinese local and city level DMOs paid more attention to measuring the performance of the aspects of “employment” and “innovation” in their PMSs. By contrast, Chinese municipality and district level DMOs gave the lowest importance to those aspects in their PMSs. Thus, the conclusion can be drawn that Chinese city level DMOs and Chinese private DMOs paid more attention than other DMOs to measuring the performance of employees in their PMSs than other DMOs. Furthermore, Chinese municipality, county and local level DMOs paid more attention to measuring the performance of new product development in their organisations, while Chinese provincial and district level DMOs paid relatively less attention to measuring this aspect.

### **10.3 Research contribution**

The ultimate aim of this research was to develop a model of PMSs that in the future could be adopted by Chinese DMOs. Objective 3.1 of the research that could be met by this ultimate aim was completed. In the research, the above findings provided practical implications and laid theoretical foundations for the model that was developed in the research. The refined model of PMSs was also the main contribution of this research. By evaluating the performance of “stakeholders”, “employees” and “customers”, the refined model was developed to assess the outcomes of the aspects of “management” and “marketing” for Chinese DMOs. The refined model of PMSs was developed



and based on the top-down operation system that currently existed in China and was supposed to pursue every major aspect of the system for each stakeholder in the DMOs.

Several different performance measures for each aspect and stakeholder of the DMOs had been outlined for PMSs' adoption in the research. Generally speaking, PMSs were established to measure the performance of earning ability, efficiency and effectiveness of internal operation and outcomes of various marketing approaches for Chinese DMOs. PMSs were also concerned with measuring the performance of how well a DMO involved the roles of "stakeholders" and "customer", and it did this by quantifying their numbers and evaluating their satisfaction. The PMSs used by Chinese DMOs also needed to assess their performance of "employee" outcomes by using turnover statistics, satisfaction evaluation and specialized capacity evaluation. The well-developed model of PMSs met Objective 3.1 of the research, that of producing a refined model of PMSs that was particularly suitable for Chinese DMOs.

#### **10.4 Practical implications**

According to the key findings and refined model in the research, there are several recommendations that can be given in the context of PMSs' adoption for Chinese DMOs. The following recommendations aim to achieve Objective 3.2 of the research. That aim is to offer long-term strategies for the current Chinese DMOs to assist them in minimising their existing shortcomings and also increasing the effectiveness of the PMSs that they adopt. The recommendations that are given, are based on the current shortcomings in PMSs' application taking into account the considerations of their nature and levels that were revealed in this research.

#### **10.4.1 Recommendations in adoption of PMSs for Chinese DMOs in relation to organisational nature**

Relatively speaking, in this research Chinese governmental DMOs had a better performance in the adoption of PMSs. However, there was significant weakness in measuring the outcomes of “employee” aspects for governmental DMOs in the research. The lack of employment performance evaluation in their PMSs was a common weakness for public institutions, SOEs and private DMOs as well. According to the research, Chinese governmental DMOs showed particular neglect in monitoring the staff turnover statistics. These failings can often dissuade employees from bringing their individual enthusiasms and initiatives into work, yet these enthusiasms are necessary for the creation of a high quality work performance (Wei et al., 2007; Zhou, 2012). In the light of this problem Chinese governmental DMOs should increase their measurement of the performance of their employees and thus increase the quality and effectiveness of the employees’ work outcomes.

On the other hand, Chinese governmental DMOs paid little attention to measuring the outcomes of new product development; this was also a common weakness for the other DMOs in the research. Yet the reality is that new product development is extremely important for every DMO; by offering new products and services they provide destinations with the chance to differentiate themselves from other competitors (Wang and Xiang, 2007). Thus, Chinese governmental DMOs should seek innovation and new product development to encourage growth in the industry, instead of offering singular tourism elements only. Due to the limited evidence on the performance of new product development for Chinese DMOs, it is also important to increase attention into pursuing the task of innovation and new product development in destination development and to measure regularly the performance of such efforts by Chinese DMOs.

Furthermore, Chinese private DMOs showed relative better performance in the application of PMSs than governmental DMOs in the research. They had some weaknesses in measuring the performance of “employee”, and “new product development” was also a common weakness for other DMOs in the research. Thus, the recommendations for Chinese private DMOs are similar to those for Chinese governmental DMOs, in that the private DMOs need to increase their attention in measuring the following: the performance of their employees; their ability to innovate; and the outcomes of new product development.

In the research, the DMOs of Chinese public institutions had relatively worse performance in the adoption of PMSs. According to the findings of the research, Chinese public institutions should immediately enhance their performance in the adoption of PMSs. The DMOs of Chinese public institutions only showed a relatively better performance in assessing the outcomes after their hosting of events. There were obvious weaknesses in measuring the performance of “management”, “marketing” and particularly so in the aspect of “employee”. The employees of public institution DMOs did place relative high attention on measuring the quality of customers’ and stakeholders’ satisfaction; however, they significantly ignored the importance of statistics. However these shortcomings in the PMSs of Chinese public institution DMOs might be attributable to those DMOs having limited functions within the context of the Chinese governmental administrative system. Thus, the recommendations of this research focus mainly on encouraging, from a long-term perspective, the reform of current Chinese public institutions. In fact, many scholars (Zhang, 2003; Fan, 2004; Fan, 2005) agreed with this argument, and advocated disassociating public services from governmental control and thus potentially increasing the effectiveness of Chinese public institutions. If that is the case then Chinese public institution DMOs can be reformed into more modern organisations, and then PMSs may be effectively adopted by these organisations. In the short-term, in order to appropriately position themselves

from a comprehensive market economy perspective, the DMOs of Chinese public institutions should increase close collaboration with different governmental authorities and various stakeholders in the industry. If this were the case, Chinese public institution DMOs would be able to recognise their shortcomings in comparison with their competitors, and then adopt a suitable PMSs to measure their performance.

The DMOs of Chinese SOEs also performed relatively poorly in their adoption of PMSs; in fact they had only slight better performance than Chinese public institutions DMOs in their adoption of PMSs. Although SOEs pursue a commercial objective, the state still owns them, and they enjoy great support from the state. Due to the jobs offered by Chinese SOEs they are also considered as “iron rice bowl” to the public, thus, Chinese SOEs have been seen as organisations of lower productivity, higher worker welfare costs, and perhaps higher amounts of investment. In this case, the recommendation is similar to that of many scholars (Ding et al., 2000; Fang and Nie, 2003; Omran, 2004; Li et al, 2010) that insist on the need to reform the current inefficient system of SOEs in China, and to also increase the speed of privatisation in China. As far as the DMOs of Chinese SOEs are concerned, the recommendations from this research are similar to those for Chinese public institutions. The problems of low effectiveness in SOEs should be seen as concerning the systems of administration and structure in China. However, in the short-term, it is necessary for the DMOs of Chinese SOEs to immediately adopt modern systematic PMSs to holistically examine the performance of every aspect of their organisation, and particularly so in the aspects of “employee”, “stakeholders” and “customers”.

#### **10.4.2 Recommendations in the adoption of PMSs for Chinese DMOs in relation to administrative levels**

In this research, all higher level Chinese DMOs, i.e. provincial level and municipality level, were governmental DMOs. Thus, the general recommendations from this research for Chinese governmental DMOs are also the recommendations for Chinese higher level DMOs. But the research found that provincial level DMOs had relative weaknesses in measuring the performance of “employee”, “marketing” and “new product development”. In contrast the PMSs of Chinese municipality level DMOs showed obvious weakness in measuring the performance of “employee”, “operation” and “new product development”. As well as the recommendations given on improving the measures of “employee” and “new product development”, Chinese provincial level DMOs should also increase their attention in measuring the outcomes of branding; they should also quantify their marketing activities in their PMSs. On the other hand, Chinese municipality level DMOs should enhance their measures for assessing the performance of their systems of internal operation.

Furthermore, 83% of Chinese city level DMOs were in the nature of governmental DMOs, and the other 17% of city level DMOs were in the nature of public institution DMOs. Looking more closely, the research revealed that Chinese city level DMOs were relative weak in measuring the performance of “earning”, “employee” and “new product development”. Thus, Chinese city level DMOs shared the same recommendations that were made for Chinese governmental DMOs. They are also strongly recommended to increase their attention in their PMSs in order to better measure their earning abilities.

Moreover, Chinese district level DMOs and county level DMOs showed a relatively poor performance in the adoption of PMSs. Chinese lower level public DMOs such as those at district and county level did not provide effective

channels for communicating with stakeholders or with the public for assessing their service. In fact, the lack of transparency is the central problem that is hindering the development of PMSs for lower level Chinese DMOs, and this argument is also made by many scholars (such as Zhou, 2004; Chen and Chen, 2007; Lan and Hu, 2008). This problem is probably caused by the limited legal control enjoyed by Chinese public organisations at lower levels. Thus, Chinese lower level DMOs do not only need to implement modern systematic PMSs to holistically examine every aspect of their organisations, they also need to increase the transparency of their PMSs and enhance the legitimated control in their management.

In addition, the research also showed that Chinese local DMOs seemed to share the functional features of private DMOs and SOE DMOs. In the research, Chinese private DMOs were better than other Chinese DMOs at adopting PMSs. Chinese private DMOs also showed the best performance of all the DMOs in measuring the aspect of “employee” and “new product development”. Thus, Chinese local DMOs are recommended to maintain their efforts in PMSs’ adoption and continue to further enhance their performance in measuring the aspects of “employee” and “new product development”.

### **10.5 Research limitations**

This research used grounded theory to discover unexplored insights into the operational systems of DMOs in China, with particular emphasis on the adoption of PMSs by the DMOs. The limitations for this research are discussed, based on the study by Lincoln and Guba (1985) who developed four criteria for examining the trustworthiness of qualitative research: credibility, transferability, confirmability and dependability.

- Credibility (internal validity)

Lincoln and Guba (1985) believed that adequate information could be gained

when the investigator and participants establish a relationship of trust between themselves. Thus, they recommend “prolonged engagement” (Lincoln and Guba, 1985:109) in the research. Although this research pursued a two-stage questionnaire survey which lasted five months, the actual communication with participants was limited. The researcher only collected information from those participants’ words via email. In fact, there was a lack of face-to-face communication. Thus, the truthfulness of research might be enhanced if more direct communication was involved in the stage of data collection.

Lincoln and Guba (1985) also believed that triangulation through the use of different methods could greatly increase the truthfulness of research. Indeed, triangulation is another important consideration that can greatly help researchers to compensate for potential individual limitations, as well as exploiting their respective benefits (Shenton, 2004). In this research, multiple data collection methods were used in order to achieve a high degree of internal validity. These data were generally categorised as primary data and secondary data. Primary data were collected from two rounds of questionnaires, semi-structured and unstructured respectively, while secondary data were sourced from a broad literature review, including statistical figures from relevant organisations, annual reports from the DMOs’ official websites and some Chinese internet resources. However, due to the limited amount of data, the research failed to analyse those data in multiple systematic ways. The original intention was to analyse quantitative data by factor analysis in order to reduce the complexity of data. However, this approach was not taken due to the inherent variety in the final database. Instead, the mean value of quantitative data was used to discuss the findings with a radar chart approach. Therefore the truthfulness of the research would be further enhanced if more systematic analyses were adopted in the stage of data analysis.

- Transferability (external validity)

Since the findings of qualitative studies depend heavily on a small number of respondents, it is not possible to demonstrate that the findings are applicable to other situations and populations (Shenton, 2004). In fact, the generalisability is impossible as all observations are defined by the specific contexts in which they occur (Erlandson et al., 1993). In this case, the researcher was responsible for clarifying the context in which the work would be undertaken, in order to give the participants a chance to decide whether or not they were able to make a useful contribution to the work (Lincoln and Guba, 1985).

At the beginning of the collection of the data, the researcher sent a brief introduction of this research. This introduction was written in Mandarin, and included the aims of the research and the people that the researcher was looking for, including potential participants via Sina Weibo. However this message failed to inform the recipient of the significance and the length of this research. Thus, the researcher should provide sufficient contextual information about the work; this will enable potential participants to make a more informed decision about whether or not to participate. In the case of this research its transferability is enhanced because, in the context of the study, the participants are the most appreciative people.

#### - Confirmability (objectivity)

Since the research is conducted by human beings, the intrusion of the researcher's biases is inevitable (Patton, 1990). However, the role of triangulation greatly promotes the effect of confirmability in order to reduce the potential effects of the researcher's bias (Shenton, 2004). As discussed in Chapter 5, the research adopted multiple data collection and analysis methods so as to meet the requirements of triangulation. However, another reliable way to assure the objectivity of qualitative findings is investigator triangulation (Denzin, 1978), where the same data is interpreted by another researcher who is familiar with, but not inherently involved in, the research.



In the research, during the stages of data collection and analysis, the researcher discussed alternative interpretations of the data with her supervisors, however it cannot be said that the interviews were systematically analysed by another independent auditor. Furthermore, Shenton (2004) stated that such an audit was supposed to occur for the whole duration of the research. Thus, the confirmability of this research may have been enhanced if independent auditors had been involved during the whole duration of the research.

- Dependability (reliability)

Lincoln and Guba (1985) believed there were close ties between credibility and dependability. The dependability of research may be achieved through the use of “overlapping methods”. Due to the shortcoming of data analysis in the issue of credibility, the dependability of the research may be enhanced if multiple systematic data analysis methods could be adopted. In fact, the transparency of the research procedures is crucial to determine the dependability of qualitative studies (Shenton, 2004). In order to address the dependability issue more directly, the processes within the study should be reported in detail, thereby enabling a future researcher to repeat the work, if not necessarily to gain the same results. In this research, the details of the research development, for example data collection, analysis methods and instruments, were well introduced and discussed in Chapter 5. Thus, it can be stated that the findings are dependable.

## **10.6 Future research plan**

So far, the researcher has completely met the aim of investigating the operational systems of Chinese DMOs with particular emphasis on their adoption of PMSs. In the research, a refined model of PMSs was offered finally, in order to help Chinese DMOs comprehensively measure the performance of

their management and operations.

In the future, the researcher will keep on working on PMSs' application of Chinese DMOs. However, more specific effort is needed. As also discussed in the research, the functions of Chinese DMOs vary according to their different nature and levels. In this case, the PMSs are supposed to be different for each DMO. Due to the varying and sometimes limited functions of DMOs in China, there are significant differences in the PMSs that are adopted by the different nature and levels of Chinese DMOs. Thus, the researcher intends to study separately the PMSs' adoption for each nature and level of DMOs in China.

In addition, the findings of the research are planned to be further explored and discussed with more information added. Regarding new information contributed, it is necessary to refine the existing limitations of this research. Thus, a more completed and systematic research methodology should be developed. Both qualitative and quantitative data are needed to increase the reliability and validity. The method of data collection should be slightly modified. Further studies will focus on the specific characteristics of their PMSs' adoption together with an in-depth discussion of their functions. At the same time, the researcher is planning to expand the number of participants in order to obtain more valuable quantitative data. Thus, the method of data analysis is needed to improve as well. More computerised systematic analysis should be adopted for analysing these quantitative data.

Moreover, the model of PMSs will be further examined and discussed within different contexts in future studies. The theory of PEST may be considered as an external factor in the refined model. In the future, the model of PMSs is expected to evolve into several patterns in order to suit the different circumstances of the different nature and levels of Chinese DMOs.

## **Appendices 1 Questionnaire 1 (English version)**

**The questionnaire includes three sections.**

- 1) Interviewee information**
- 2) Destination Management Organisations (DMOs) information**
- 3) Performance Measurement Systems (PMSs) information**

**Please answer the following questions. Thank you for your corporation.**

1. Interviewee information

1.1 Gender

a. male    b. female

1.2 Please write in the full name of the organisation you work for

1.3 Please write in the name of department you work in

1.4 Please write in the time of the department established

1.5 Please write in the length you work at the department

2. Destination Management Organisation (DMO) information

2.1 Please tick one of the following terms best describes the status of the organisation:

- a. national tourist organisation
- b. provincial tourist organisation
- c. municipality tourist organization
- d. city tourist organisation
- e. municipality organisation
- f. district tourist organisation
- g. local tourist organisation

2.2 Please tick one of the following terms best describes the status of the organisation:

- a. A governmental office
- b. A state owned enterprise
- c. A public institution
- d. A privative commercial organisation

2.3 Please write in the number of staff work within the organisation

2.4 Please write in the importance of the following functions in the organisation (1 represents not very important and 7 represents very important)

- 1. Not very important
  - 2. Not moderately important
  - 3. Not slightly important
  - 4. Neutral
  - 5. Slightly important
  - 6. Moderately important
  - 7. Very important
- 
- a. An economic driver of new income employment and taxes to create a more diversified local economy.\_\_\_\_
  - b. A community marketer, communicating the most appropriate destination image, attractions and facilities to selected markets.\_\_\_\_
  - c. An industry coordinator, providing a clear focus and encouraging less industry fragmentation so as to share in the benefit.\_\_\_\_
  - d. An origination regulator, defining related laws and regulations.\_\_\_\_
  - e. A quasi-public representative adding legitimacy for the industry and protection to visitors.\_\_\_\_
  - f. To represent public awareness.\_\_\_\_

- g. An operator, ensuring the quality of service and delight visitors by maximizing their satisfaction.\_\_\_\_
- h. An organizational administrator, in charge of different departments (e.g. human resource development).\_\_\_\_
- i. To administer the national financial aid scheme for assisting tourism development and ensuring long-term funding.\_\_\_\_
- j. To monitor and collect tourist statistical information and to conduct tourism research.\_\_\_\_
- k. To deal with international relations (e.g. WTO).\_\_\_\_
- l. To attempt education and training purpose.\_\_\_\_

2.5 Please write in other main functions not on the question 2.4

### 3. Performance Measure System (PMS) information

3.1 Please tick the categories of PMS in the organisation

- a. quantitative approach
- b. qualitative approach
- c. both of a and b

3.2 Please write in the necessary of the following methods of PMS in the organisation (1 represents not very necessary and 7 represents very necessary)

1. Not very necessary
2. Not moderately necessary
3. Not slightly necessary
4. Neutral
5. Slightly necessary
6. Moderately necessary
7. Very necessary

1. Net income \_\_\_\_\_
2. Profitability \_\_\_\_\_
3. Historical Visitor Statistics \_\_\_\_\_
4. Quantitative marketing Activities Evaluation \_\_\_\_\_
5. Consumer-based Brand Equity \_\_\_\_\_
6. Staffing turnover statistics \_\_\_\_\_
7. Stakeholders statistics \_\_\_\_\_
8. Quality of the Visitor Experience \_\_\_\_\_
9. Quality of Stakeholder Coordination \_\_\_\_\_
10. Employee satisfaction \_\_\_\_\_
11. Appropriateness of Activities \_\_\_\_\_
12. Achievement of Objective \_\_\_\_\_
13. Efficiency of operation \_\_\_\_\_
14. Effectiveness of operation \_\_\_\_\_
15. New product development \_\_\_\_\_
16. Staffing specialised capacity \_\_\_\_\_

3.3 Please write in other main methods not on the question 3.2

3.4 Please write in the degree of satisfaction regard the current PMS within the organisation (1 represents very dissatisfied and 7 represents very satisfied)

\_\_\_\_\_

1. Very dissatisfied
2. Moderately dissatisfied
3. Slightly dissatisfied
4. Neutral
5. Slightly satisfied
6. Moderately satisfied
7. Very satisfied

3.5 Please for examples to explain the answer of 3.4

3.6 Does the organisation provide any new methods of PMS in the next 3 years?

a. yes    b. no    c. no idea

3.7 If the answer of 3.6 is yes, please for example to introduce the new methods of PMS

Thank you for your corporation!

Email: [xiao.tian@plymouth.ac.uk](mailto:xiao.tian@plymouth.ac.uk)

## Appendices 2 Questionnaire 1 (Chinese version)

### 调查问卷

此问卷分为三大部分：一，个人信息；二，所在旅游目的地管理组织信息；三，所在旅游目的地管理组织绩效评估信息。请您按照所在部门真实情况作答。谢谢合作。

#### 1. 个人信息

##### 1.1 性别

- a. 男
- b. 女

##### 1.2 请填写您所在的旅游目的地管理组织全称

##### 1.3 请填写您工作部门的全称

##### 1.4 请填写该部门的成立时间

##### 1.5 请填写您在该部门的工作时长

#### 二. 旅游目的地管理组织信息

##### 2.1 请问该旅游目的地管理组织地属级别

- a. 国务院部门
- b. 省级部门
- c. 直辖市部门
- d. 市级部门
- e. 区级部门
- f. 县级部门
- g. 地方机构

##### 2.2 请问该旅游目的地管理组织构成属性

- a. 国有国营模式—事业制单位
- b. 国有民营模式—企业制单位
- c. 多种所有制—企事业单位



d. 私人商业机构非盈利联合机构

### 2.3 请填写该旅游目的地管理组织员工人数

### 2.4 请填写该旅游目的地管理组织主要职能的重要性

1. 非常不重要
2. 比较不重要
3. 略微不重要
4. 一般
5. 略微重要
6. 比较重要
7. 非常重要

	1	2	3	4	5	6	7
a. 通过发展旅游业增加就业和税收, 促进经济多样化发展							
b. 制定旅游市场开发战略并组织实施, 组织当地旅游整体形象的对外宣传和重大推广活动							
c. 规范旅游市场秩序, 指导旅游行业精神文明建设和诚信体系建设, 指导行业组织的业务工作							
d. 制定旅游发展政策、规划和标准, 起草相关法律法规草案和规章							
e. 具有法律效应的私营公共事业管理产业和保护消费者							
f. 代表公共意识形态							
g. 监督管理服务质量, 维护旅游消费者合法权益							
h. 管理组织内部各个部门及直属单位, 确保其正常有序工作							
i. 负责国有资产合理运用到旅游业发展当中, 确保长期稳定的资金保障							
j. 组织旅游资源的普查、规划和开发; 负责旅游统计及行业信息发布							
k. 推动旅游国际交流与合作, 承担与国际旅游组织合作的相关事务							
l. 制定并组织实施旅游人才规划, 指导旅游培训等相关工作							

### 2.5 请补充填写其他 2.4 没有提到的主要职能

### 三. 绩效评估信息

#### 3.1 请选择该旅游目的地管理组织主要的绩效评估

- a. 数量分析
- b. 定性分析
- c. 以上两者皆有

#### 3.2 请填写该旅游目的地管理组织主要的绩效评估方法的必要性

- 1. 非常不重要
- 2. 比较不重要
- 3. 略微不重要
- 4. 一般
- 5. 略微重要
- 6. 比较重要
- 7. 非常重要

	1	2	3	4	5	6	7
a. 净收入数据统计							
b. 收益率数据统计							
c. 历史游客数据统计							
d. 市场营销数据统计							
e. 品牌营销数据统计							
f. 员工流动数据统计							
g. 旅游业各相关行业数据统计							
h. 游客满意度调查							
i. 旅游业相关行业合作满意度调查							
j. 员工满意度调查							
k. 活动结果适当性评估							
l. 活动结果目标达成度评估							
m. 工作效率评估							
n. 工作有效性评估							
o. 新产品开发成果评估							
p. 员工专业能力评估							

#### 3.3 请补充填写其他 3.2 没有提到的绩效评估方法

3.4 请填写您对现有的绩效评估手段的满意度 \_\_\_\_\_

1. 非常不满意
2. 比较不满意
3. 略微不满意
4. 一般
5. 略微满意
6. 比较满意
7. 非常满意

3.5 请举例说明对 3.4 的回答

3.6 请问未来三年内是否增加新的绩效评估方法？

- a. 是            b. 否            c. 不知道

3.7 如果 3.6 选择是，请举例说明新的绩效评估方法

3.8 请问您觉得这份调查问卷是否适合您所在的旅游目的地管理组织？

- a. 适合    b. 一般    c. 不适合

3.9 如果您觉得这份调查问卷不适合您所在的旅游目的地管理组织，请问你觉得问题在哪？

问卷到此结束，感谢您的合作！ 2011/04/02

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### **Appendices 3 Questionnaire 2 (English version)**

#### **Questionnaire 2 Please give the answers depend on the real situation of the Destination Management Organisations (DMOs) you work for**

1. Please give the name, nature and level of the DMO you work for
  
2. Please indicate the importance of tourism development in your local
  
3. Does the DMO you work for focus on general management or specialise in the task of marketing?
  
4. Please give the key functions of the DMO you work for
  
5. Please indicate the main performance measures in the PMS of the DMO you work for
  
6. Please give the further explanation regards your answer in question 5
  
7. How often the DMO your work for measures their performance?
  
8. Is there any measurement after event hosting in the DMO you work for?  
Please list the main measures adopted in the DMO
  
9. Please give your opinion regarding the current PMS of the DMO you work for

Thank you for your corporation!  
Email: xiao.tian@plymouth.ac.uk

## Appendices 4 Questionnaire 2 (Chinese version)

### 关于对旅游目的地管理组织采访问题总结

1. 请问您所在的旅游组织全称，级别以及性质？
2. 请问旅游业在您当地的重要性如何？重视程度？
3. 请问该旅游组织的工作是以宏观管理旅游业为主还是仅着重于旅游市场推广营销？
4. 请问该旅游组织具体的主要职能有哪些？
5. 请问该旅游组织的绩效评估方法有哪些？
6. 请问为什么对以上方面进行评估？
7. 请问该旅游组织一般多久进行一次评估？
8. 请问大型活动后是否进行相应的评估工作？主要有哪些方面？
9. 请问您对目前该旅游组织的绩效评估有什么看法？

问卷到此结束，感谢您的合作！

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