TOURISM DESTINATION COMPETITIVENESS, GLOBALIZATION, AND STRATEGIC DEVELOPMENT FROM A DEVELOPMENT ECONOMICS PERSPECTIVE

BY

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DISSERTATION

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ABSTRACT

The dissertation aims to propose a tourism destination competitiveness model to help tourism policy makers in different country groups acknowledge relevant factors given their unique situational characteristics with regard to globalization and economic development. Studies on tourism destination competitiveness (TDC) have emerged to explain how tourism destinations can achieve competitiveness and enhance economic and social development. Although tourism literature has developed conceptual tourism competitiveness models, few studies have conducted empirical tests and these studies have not proposed TDC models that take into account the context of destinations, such as the impact of globalization and the level of economic development.

Therefore, this study aims to empirically test a structural equation model of tourism destination competitiveness from the development economics perspective. The proposed research model explores the impacts of hypothesized determinants on TDC and the relationship between TDC and socioeconomic prosperity at the national level. Four main factors of tourism competitiveness are proposed: core resources/attractions, complementary conditions, destination management, and demand conditions. This study adds globalization as a main factor of tourism destination competitiveness and tests the economic development as a moderating effect, extending previous TDC models. The hypothesized measurement models of each determinant (exogenous construct) and dependent latent variable (endogenous construct) of tourism competitiveness, and the structural model are tested using Partial Least Square (PLS) path modeling with 139 cases of countries/economies. Additionally, the moderating effect of economic development is tested by Partial Least Square (PLS) - Multiple Group Analysis (MGA).

This empirical study suggests several important implications according to findings. First, the findings suggest that the main determinants of TDC include globalization as a main factor of TDC. The results suggest that the main determinants of TDC are core resources/attractions, destination management, and globalization in both high-income and low-income country groups. However, the degree of impact of the three determinants was different across the two groups of countries. For the high-income country group, the core resources/attractions had the strongest impact on TDC, while for the low-income country group globalization measured by the net inflow of FDI had the strongest impact on TDC. This finding provides strong empirical support for this study's assertion that the TDC framework should be extended to account for economic globalization as a main factor, especially in developing and less developed countries.

Second, this study suggests that there is a difference in the impact of determinants on TDC across two income-level country groups, confirming the moderating effect of economic development. The difference in the degree of impacts of core resources/attractions was supported. The effect of core resources/attractions on TDC was greater in the high-income country group than in the low-income country group. This finding suggests that the strategy of enhancing resources and attractions to improve TDC might be more effective for developed countries than for developing or less-developed ones. On the other hand, for the low-income country group the priority should be given to the policy of FDI over other factors of TDC.

Third, in contrast to the conceptual TDC models, complementary conditions representing tourism infrastructure and general infrastructure were not supported as a main determinant of TDC in both income country groups. While the previous literature has suggested that demand condition of a country is an important factor to enhance competitiveness, this empirical study did not support this argument. It implies that the conceptual TDC models need to be refined or calls

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for further research on the relationship of complementary conditions and domestic demand conditions with TDC.

Lastly, the finding shows that there is a positive relationship between TDC and socioeconomic prosperity in both groups. This suggests that tourism competitiveness contributes to the standard of living of residents in the destination supporting the tourism-led growth hypothesis.

The main contributions of this study are as follows: First, from the results of comprehensive data analysis, this study contributes to the transformation from a definitional model to an explanatory model of tourism destination competitiveness by exploring the structural relationships between all constructs, tourism competitiveness, and the standard of living; second, this study contributes to expanding the current TDC model by adding the global perspective to explain the structural relationships. This study shows that economic globalization plays a critical role in both high-income and low-income countries; third, the results of this study contribute to the implementation of optimal policies in order to enhance global tourism competitiveness to fit a nation's stage of economic development.

To my Mother (손소자, Son, Soja), Father (김서열, Kim, Seoyeol) and my dear sisters

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CHAPTER I. INTRODUCTION

1.1 Statement of Problem

Many small economies, such as those in developing countries, are aware that tourism is one of the strategic industries that can be used to foster a nation's economy. The tourism sector has been considered a vehicle for national and regional economic development because of its ability to successfully create jobs and income. Globalization has increased the growth of the tourism industry by increasing international tourist activities and the flow of Foreign Direct Investment (FDI) and Multinational Corporations (MNCs) in tourism related business sectors such as hotels and restaurants, airlines, tour operators, etc. (Go & Pine, 1995). On the other hand, due to globalization, many countries have faced high competition for tourism markets and are vulnerable to changing global economic and business conditions. The main concern of small economies is how to achieve or enhance tourism competitiveness in the global market, expecting that the superior position of a country as a tourism destination brings economic benefits and sustainable development on both national and regional levels.

Sustainable development has long been considered a critical issue in various disciplines such as economics, regional development, and tourism. The awareness of the importance of this issue has led to the New Development Paradigm (NDP) based on neo-classical economic theory, which has gained prominence since the mid-1990s (Dunning & Fortanier, 2007). The NDP integrates the multifaceted nature of development objectives—including social and ecological development next to economic growth—and the critical role of institutions in the development process, as well as the role of MNCs in fostering development (Dunning & Fortanier, 2007). From the NDP perspective, in practice, attracting FDI and MNCs has been considered a

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promising policy to encourage the domestic economy as well as the tourism industry for bringing

productivity to host countries (Barrowclough, 2007; Dunning, 1993; Endo, 2006). However,

embracing the global marketplace could make the domestic economy in developing countries

more vulnerable and variable. As a result, it is important to know whether such policies really do

benefit small economies and tourism destination competitiveness.

Tourism competitiveness refers to not only economic competitiveness, but also to social

and cultural aspects of nations, and it can also lead the long-term sustainability of the tourism

industry and economic development as well as a sustained standard of living (Crouch & Ritchie,

1999). Studies on tourism competitiveness (e.g. Dwyer & Kim, 2003; Gursoy, Baloglu, & Chi,

2009; Kozak & Rimmington, 1999; Lee & King, 2009) have emerged to explain how tourism

destinations can achieve competitiveness since Porter's proposal of the diamond model in his

book *The Competitive Advantage of Nations* (Porter, 1998b), which identified the

competitiveness of nations on an industry level. However, tourism literature has adopted Porter's

model without any constructive criticism, that is, researchers do not take into account the context

of destinations, such as the impact of globalization, the state of economic development, the

degree of dependence on tourism, and destination market size (Croes, 2010). How

competitiveness differs according to a destination's specific conditions should be explained. In

reality, for example, most highly ranked destinations in the Travel and Tourism Competitiveness

Index (TTCI) reported by the World Economic Forum are advanced countries like Switzerland

and the United States, and poor countries (developing or less-developed countries) are ranked

low despite their abundant natural or cultural resources (World Economic Forum, 2011).

Therefore, identifying the differences between the successful determinants of tourism

competitiveness across different groups of countries with regard to the level of economic development can have policy implications for developing countries.

In tourism, the ultimate goal of tourism development and competitiveness is consistent with the NDP perspective, but the role of FDI and MNCs is neglected in the discourse. Further, beyond asserting the significant role of attracting FDI in tourism development, it is questioned whether economic globalization will be beneficial or harm developing countries. This study aims to answer the question by investigating the impact of economic globalization on tourism competitiveness relative to the stage of economic development. Exploring the impact of globalization on tourism competitiveness among different groups can lead policy makers to optimal decision making.

1.2 Research Questions and Hypotheses

To explore how a country can achieve tourism destination competitiveness in the global context, this research sets up four main research questions and corresponding hypotheses.

Research question 1. What are the factors of tourism competitiveness?

  H 1-1: The extent of core resources and attractions positively affects tourism competitiveness.

  H 1-2: The level of complementary conditions positively affects tourism competitiveness.

  H 1-3: The level of destination management positively affects tourism competitiveness.

  H 1-4: The level of demand conditions positively affects tourism competitiveness.

Research question 2. What is the impact of globalization on a nation's tourism competitiveness?

  H 2. The level of globalization positively and directly affects tourism competitiveness.

Research question 3. What is the impact of tourism competitiveness on socioeconomic prosperity?

H 3. Tourism competitiveness positively affects socioeconomic prosperity.

Research question 4. What is the impact of economic development on a nation's tourism competitiveness?

H 4-1: The level of economic development of a nation has a moderating effect on the impact of core resources and attractions on tourism competitiveness.

H 4-2: The level of economic development of a nation has a moderating effect on the impact of complementary conditions on tourism competitiveness.

H 4-3: The level of economic development of a nation has a moderating effect on the impact of destination management on tourism competitiveness.

H 4-4: The level of economic development of a nation has a moderating effect on the impact of demand conditions on tourism competitiveness.

H 4-5: The level of economic development of a nation has a moderating effect on the impact of globalization on tourism competitiveness.

H 4-6: The level of economic development of a nation has a moderating effect on the relationship between tourism competitiveness and socioeconomic prosperity.

1.3 Study Objectives

The purpose of this research is to propose a tourism destination competitiveness model to help tourism policy makers in different country groups acknowledge relevant factors given their unique situational characteristics and with regard to globalization and economic development. Specifically, the first purpose of this study is to explore determinants of tourism competitiveness and the impacts of determinants on tourism destination competitiveness. The second purpose is to explore the relationship between tourism destination competitiveness and socioeconomic

prosperity in a destination. Third, this study aims to identify the impact of globalization and economic development on tourism competitiveness at the country level.

1.4 Theoretical Background

This research is based on an interdisciplinary approach including tourism, international business, and development economics. The main theoretical background is Tourism Destination Competitiveness (TDC), which explains how a tourism destination achieves its competitiveness and in turn, enhances the standard of living of the people who live in a destination. Based on competitiveness theory (Porter, 1990) TDC has focused on building a general model to explain how a nation or region can improve tourism competitiveness as a tourism destination by examining the factors in domestic environments. Although competitiveness must be derived from home environments where a destination is situated, as a country opens its economy to the world it should take into account globalization, particularly those countries with small economies. Therefore this study is based on globalization theory with an international business perspective. The tourism industry has been considered a strategic means to increase economic development in a nation-state and a local community. This has stimulated developing countries to develop and to focus more on the tourism sector in their economic structure. Nevertheless, whether the tourism industry could contribute to economic development and in turn, increase the standard of living in a destination is still debated. If it is true, the tourism industry could contribute to reducing the gap between developed countries and developing countries.

Attention to Tourism Destination Competitiveness (TDC) has stimulated a number of studies. One conventional way to study destination competitiveness is to diagnose a competitive position of a specific destination, while other research has focused on a particular aspect of

destination competitiveness, including price competitiveness (Dwyer, Forsyth, & Rao, 2000), quality management (Go & Govers, 2000), and environmental management (Mihalič, 2000). Many tourism researchers made comprehensive effort to building on this theoretical foundation, including Crouch and Ritchie (1999), Dwyer and Kim (2003), Dwyer, Livaic and Mellor (2003), Heath (2003), Ritchie and Crouch (2003), and Hassan (2000). Since the development of general models and theories of TDC, interest in recent research has moved from the development of definitional and conceptual models to empirical and explanatory models. The World Economic Forum has reported the Travel and Tourism Competitiveness Index every year since 2007, which aims to measure "the factors and policies that make it attractive to develop the Travel and Tourism sector in different countries" (World Economic Forum, 2011, p. 16). It is based on three broad categories consisting of 14 pillars that facilitate or drive Travel &Tourism competitiveness, including (1) the Travel &Tourism regulatory framework subindex; (2) the Travel &Tourism business environment and infrastructure subindex; and (3) the Travel &Tourism human, cultural, and natural resources subindex.

Since the 1980s, the traditional view on national competitiveness has been based on Ricardian comparative advantage. This view has been criticized by researchers who instead suggested that competitive advantages fueled by innovation and competition are main forces to enhance national competitiveness (e.g., Porter, 1990). A major breakthrough for the competitiveness theory was Porter's competitiveness in *The Competitive Advantage of Nations* (Porter, 1990b). Porter has contributed significantly to the literature by providing a comprehensive understanding of national and regional competitiveness and by broadening the concept of industrial clusters. The application of Porter's diamond model to tourism can be seen as a useful strategy in national and regional development. However, it has been criticized by

international business scholars (e.g. Dunning, 1993; Rugman & D'Cruz, 1993) in that Porter's model may have overlooked and underestimated the role of multinational activities such as Foreign Direct Investment and Multinational Enterprises in global competition (Moon, Rugman, & Verbeke, 1998; O'Malley & Van Egeraat, 2000), and that his model is typically applied in large and advanced economies (Clancy, O'Malley, O'Connell, & Van Egeraat, 2001). The lack of attention to this area suggests that tourism competitiveness assessments and research should take into account globalization as a significant factor.

Nevertheless, the impact of globalization on developing countries has been debated in development economics and tourism as well, so this debate questions whether globalization will benefit all countries regardless of the stage of their economic development. This research uses two opposite lenses through which globalization and economic development can be viewed to explain how poor tourism competitiveness can be improved and to affirm which theory can be supported in terms of globalization. On the one hand, conventional economists like Paul Samuelson and Paul Krugman suggest that based on the assumption of neoclassical economic theory, unhindered international trade will produce "factor-price equalization" that tends to be the same all over the world (Reinert, 2008). Their view of globalization is that globalization will benefit everybody equally under the condition of free markets (Krugman & Obstfeld, 2008). On the other hand, the alternative tradition, proposed by Swedish economist Gunnar Myrdal and the so-called 'Other Canon' by Erik Reinert, argues that international trade would tend to increase already existing differences in incomes between rich and poor nations so that globalization with free trade would not contribute to decreasing the gap between rich and poor countries (Myrdal, 1957; Reinert, 2008). Table 1.1 provides a brief theoretical background corresponding to each construct of the tourism destination competitiveness model which is used in this study.

Table 1.1 Tourism Destination Competitiveness Model

Constructs	Roles	Key elements	Theory
Comparative advantages	Factors of tourism destination competitiveness	Endowments of a destination	Ricardian comparative advantage
Competitive advantages	Factors of tourism destination competitiveness	Innovation, the production of new technologies, human capital, competition	Porterian competitive advantage
Globalization	Direct effect on tourism competitiveness	Openness to global economy (international trade and foreign direct investment)	New Development Paradigm
Economic development	Interaction effect or moderating effect on tourism competitiveness	The stage of economic development	Economic driven tourism growth hypothesis
Tourism competitiveness	Output	-	Tourism Destination Competitiveness theory
Socioeconomic prosperity	Output	-	Tourism-led growth hypothesis

1.5 Research Framework and Scope

This research proposes a comprehensive approach to tourism destination competitiveness on both macro and micro levels in order to explain how tourism destinations can achieve their competitiveness. The proposed research framework includes the following: (1) the empirical test

of the proposed model accounting for globalization as a determinant, (2) the empirical tests of situational factors at the macro level, (3) the proposition of the conceptual model at the micro level, and (4) the empirical tests of contributors at the micro level. The overall framework is represented in Figure 1.1. This study defines a macro level as an external environment which can affect tourism competitiveness on a national level. A micro level is defined as an internal environment where a destination is located and which can make a tourism destination competitive at the regional level. A model of tourism destination competitiveness should account for not only the relationship between its determinants and outcomes, but also situational factors which could affect its relationship to the macro level and main contributors to enhance its performances at the micro level. I propose situational factors at the macro level, including globalization, economic development, dependency on tourism, and nation size. As I hypothesize, I assume that there is a direct effect of globalization on tourism competitiveness and that other situational factors would play roles as moderators in the structural relationship of a tourism destination. This suggests that the degree of impacts of main determinants on tourism destination competitiveness and socioeconomic prosperity would differ according to the destination's level of economic development, dependency on the tourism sector, and nation size.

I also propose contributors at the micro level, including spillover from Multinational Corporations (MNCs), innovation, collaboration, and cluster. Tourism destination can achieve its competitiveness through innovation of tourism products and clustering tourism firms in tourist attractions. Collaboration between public and private organizations, domestic companies in the tourism sector and related sectors with MNCs is crucial in order to succeed in destination competitiveness. As I assumed the direct impact of globalization, the spillover effect from MNCs

would contribute to tourism performance and then a destination's prosperity, especially in developing and less developed countries.
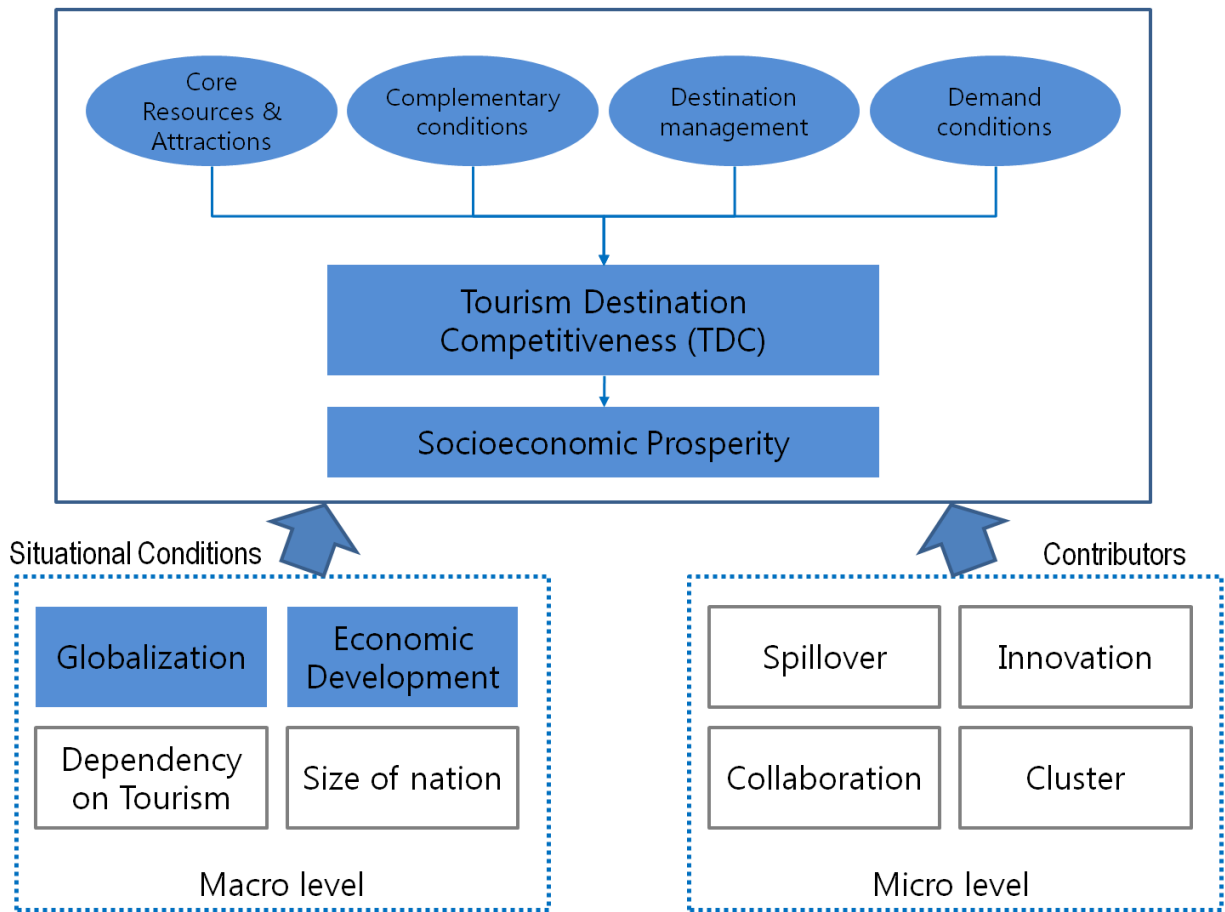
Figure 1.1. Research framework

Based on this framework, the current research covers the first two propositions (represented in blue in Figure 1.1): (1) the empirical test of the proposed model accounting for globalization as a determinant; and (2) the empirical tests of situational factors at the macro level. This study focuses on the empirical test of a structural model as shown in Figure 1.2. As for the empirical tests of situational factors, this research focuses on economic development as a moderating effect.
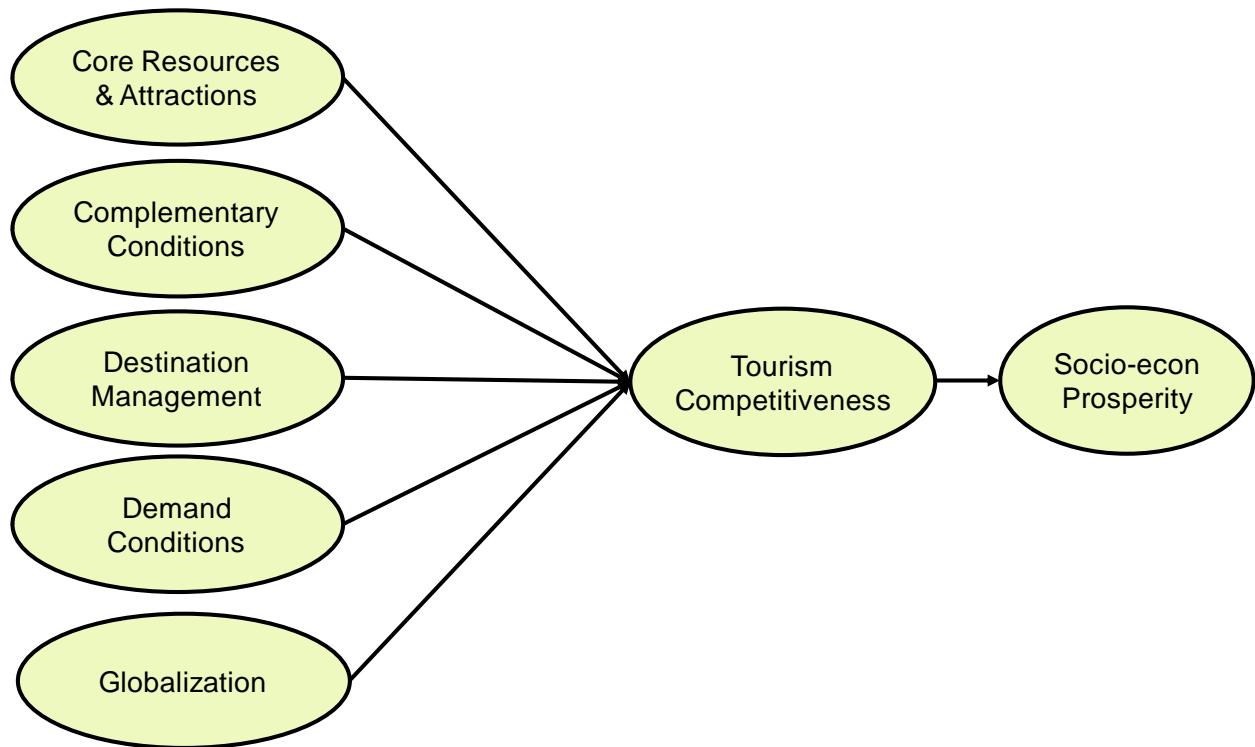
Figure 1.2. Proposed structural model

The current research consists of two phases. First, the research focuses on an empirical test to explain the relationship among main factors, tourism competitiveness, and the end result of TDC—socioeconomic prosperity. It includes a situational factor of globalization as a determinant of TDC as it is crucial to the small economies of developing countries. Second, the research identifies the effects of a situational factor—economic development—on tourism competitiveness. The impacts of main factors including globalization on TDC and the impact of TDC on socioeconomic prosperity would be expected to vary across the level of economic development.

The current study focuses on investigating the structural model at the macro level and it includes only globalization and economic development as situational conditions in the proposed

model of tourism destination competitiveness. Other situational conditions like a nation's dependency on the tourism sector and nation size also need to be explored in future study. In terms of globalization, I mainly focus on the economic perspective of globalization in tourism destinations and employ foreign direct investment and openness to the world economy as indicators of economic globalization suggested by OECD (2005). Other aspects of globalization like social, cultural and environmental aspects might need to be explained in the TDC concept. In addition, the impacts of contributors at the micro level, such as collaboration, innovation, clustering, and spillover effects, remain for future research.

1.6 Study Contributions

This research aims to transform a definitional and normative model of destination competitiveness into an explanatory model. Tourism destination competitiveness theory has been developed in a definitional and conceptual way and the next step to strengthen a theoretical model is to explore the functional and explanatory power of all components in the model. The movement to build an explanatory system of normative components in the models has only recently begun (Mazanec, Wöber & Zins, 2007). Therefore, this study contributes to the transformation from a definition to an explanation of tourism destination competitiveness.

First, the results of this study build on the knowledge of the tourism competitiveness theory by exploring the main determinants and indicators of tourism competitiveness and the association between tourism competitiveness and socioeconomic prosperity. This is one of the first studies to test the relationship between tourism competitiveness and socioeconomic prosperity which is proposed to be an ultimate goal of tourism destination management and development in competition. This conceptual relationship is confirmed by an empirical test.

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Second, this study aims to respond to the need for additional research on the application of the TDC models according to the different stages of development. Even though some researchers have been aware of the fact that there is no one universal solution to improve destination competitiveness in the global context, little attention has been given to proving this notion through empirical study. This study uses the stage of economic development as a moderating factor and tests the impacts on the entire system of the tourism destination competitiveness model. This result will help policymakers implement optimal policies in order to enhance global tourism competitiveness that fit their nation's stage of economic development, while at the same time balance industrial development through optimal allocation of resources.

Third, this study aims to explore the impact of economic globalization on tourism competitiveness relative to the stage of economic development based on development economic theories. This expands the tourism destination competitiveness theory by addressing the importance of globalization in the world. Furthermore, this study explores which of the two contradictory points of view on globalization—those which are based on neoclassical free market theories versus opponents like the 'Other Canon'—can better explain the reason for the lower competitiveness of developing countries. Therefore, this research provides a more comprehensive overview for creating a national tourism development strategy that incorporates a policy of attracting FDI and MNCs.

1.7 Study Organization

This chapter introduces the background of the study and the research questions and hypotheses which this study tests. The research framework is described to give an overview of tourism destination competitiveness on both macro and micro levels. Chapter 2 discusses the

theoretical background from interdisciplinary perspectives and provides a literature review of the main theories. Chapter 3 introduces the methodology used to address the research questions in detail, specifically research hypotheses, constructs, measurements, data collection, and analysis. Chapter 4 draws main results from the empirical tests of the hypotheses and discusses the interpretations of the results. Chapter 5 gives main conclusions including theoretical implications for academics, practical implications for policy-makers and tourism destination managers, limitations of the study, and suggestions for future research.

1.8 Functional Definitions of Terms

Tourism Destination Competitiveness: The relative productivity of a tourism destination in the process of producing and delivering tourism products and services for efficiently maintaining and/or increasing a national or/and international market share.

Core resources and attractions: The main condition that draws tourists to destinations and is a critical factor in creating tourism products. This consists of 'endowed resources' such as natural and cultural resources, and 'created resources' such as special events or festivals, entertainment, and shopping (Dwyer & Kim, 2003; Ritchie & Crouch, 2003).

Complementary conditions: The conditions that add value to core resources and attractions and include two categories: 'tourism infrastructure' comprised of accommodations, food services, transportation facilities and other resources viewed as private sector components of the tourism industry; and 'supporting factors' comprised of general infrastructure and destination accessibility.

Demand conditions: The nature of destination-market demand for the tourism products and services which influences travel decisions in domestic and international tourism. It is

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represented by price competitiveness, domestic condition, and preference for tourism destinations.

Destination management: The activities that can enhance the appeal of the core resources and attractions, strengthen the quality and effectiveness of the complementary conditions, and best adapt to the constraints imposed by the uncontrollable external conditions such as destination location, safety, and crisis.

Globalization: The extent to which a destination opens its economy to the world and attracts foreign capital from outside.

Economic development: The stage of economic development that refers to the extent of Gross National Income (GNI) per capita in a destination.

Socioeconomic prosperity: Social 'welfare' or 'well being' which includes economic prosperity as well as the quality of life of residents in a destination.

CHAPTER II. THEORETICAL BACKGROUND

2.1 The Strategy of Economic Development

2.1.1. The traditional view of economic development.

One main question in development economics is whether living standards of developing and developed nations are converging, that is, whether the wealth gap between developed and undeveloped nations is lessening. The problem of unbalanced or uneven growth and development remains unsolved. Since Adam Smith's seminal economic theories that helped explain why some nations achieve growth and wealth and others do not, many development economic theorists have suggested a strategy to improve the economic status of those nations, for instance, in Africa, Asia, and Latin America, which have struggled for economic growth and development. Nevertheless, the problem of poverty in those nations is still unsolved and even widening in some cases.

Classical and neoclassical approaches have been characterized by emphasizing comparative advantage of nations, free markets, capital accumulation, and the limited role of governments (e.g. the Harrod-Domar Growth model, Rostow's Stages of Growth, the Solow Neoclassical Growth Model, etc.). The classical view on the prosperity of a country from Ricardo's perspective, for example, is that prosperity can be achieved by a country's factor endowments. Even countries or regions which cannot efficiently produce competitive commodities due to lack of endowments can still benefit from international trade. These classical and neoclassical views on development have been based on the static equilibrium model and unidimensional explanations that have tried to derive the strategy of development from industrial

countries (Dunning, 2006). For example, the linear stages theories assume that the currently

developing countries can achieve economic growth by following what the now-industrialized

countries did during the early periods of their economic development (Todaro & Smith, 2008).

However, development economists have recently recognized that the domestic and international

contexts have changed and these changes could affect the transition of currently developing

countries, and thus their trajectory of development would differ from that of the advanced

countries (Dunning, 2006; Todaro & Smith, 2008). Based on critiques of the static and

unidimensional approach in neoclassical economics, a new paradigm of development was

proposed in the academic sphere and in practice, such as Porter's cluster and competitiveness

theory (1990, 1998b, 1998c, 1998d) and the New Development Paradigm (NDP) discussed by

Dunning (2006).

2.1.2. Competitiveness and cluster theory.

In the Ricardian perspective, countries should focus on the areas of production in which

they may expect a comparative advantage. From the critiques of Ricardian comparative

advantage theory and a static view on economic development, the research focus of economic

development has shifted to competitive advantage in regional and national development. Some

of the promising concepts are industry clusters and competitiveness theory. The concept of

industry clusters and the notion that they create competitive advantage is not a new framework

for explaining regional and economic development and to assist policy-making in regions or

nations. Cluster theory originates from the "industrial district" of Marshall's agglomeration

economies (Marshall, 1920). This early framework argued that when firms are closely located in

geographic proximity they generate positive externalities and economies of scale, and then these

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agglomeration effects can contribute to their overall productivity. The cluster concept has been translated from various agglomeration theories—from the works by Marshall (1920) and Hoover (1948) through Isard's work (1956) on the industrial complex. The shift towards globalization, however, requires new approaches to understanding the effects of industry clustering from regional and economic developers.

A major breakthrough for the cluster and competitiveness concept in economic development was Porter's cluster theory and competitiveness in *The Competitive Advantage of Nations* (Porter, 1990). Porter has contributed significantly to the literature by providing a comprehensive understanding of national and regional competitiveness and by broadening the concept of industrial clusters. Porter (1990) states that clusters are inherently local yet must be globally competitive, so he emphasizes the co-locating of firms and complementarities and a supportive home environment for business success, which then contributes to a nation's economic development.

Porter's diamond model proposes that there are four sources of national and locational competitive advantage and two external factors: factor (input) conditions, firm strategy, structure and rivalry, demand conditions, and related and supporting industries with government and chance events (Figure 2.1).

1. Factor conditions: The nation's position in factors of production such as skilled labor or infrastructure necessary to compete in a given industry.
2. Demand conditions: The nature of home-market demand for the industry's product or services.
3. Related and supporting industries: The presence or absence in the nation of supplier industries and other related industries that are internationally competitive.

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4. Firm strategy, structure, and rivalry: The conditions in the nation governing how

companies are created, organized, and managed, as well as the nature of domestic

rivalry (Porter, 1998c, p.166).
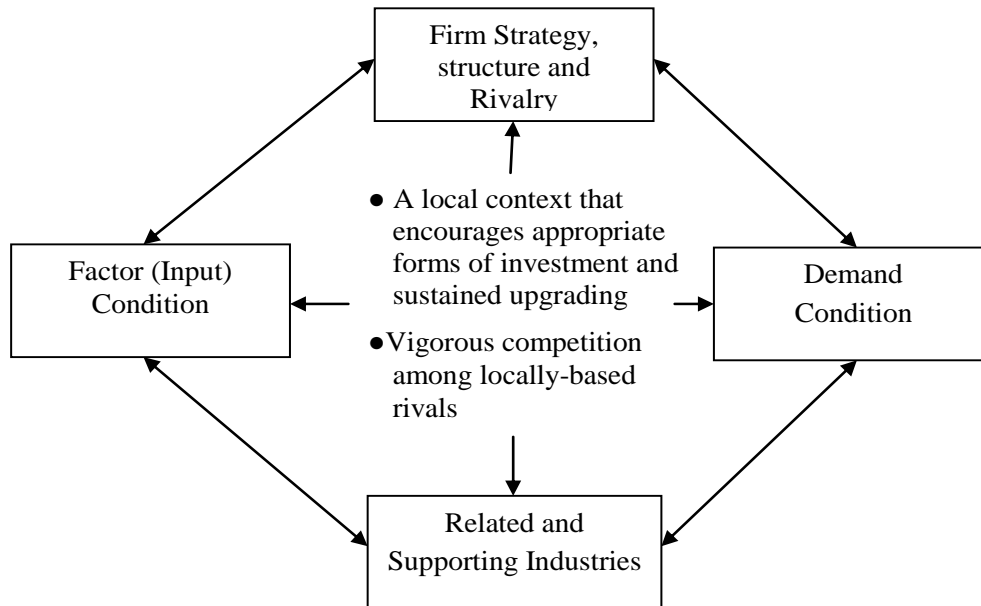
Figure 2.1. Porter's diamond model (adopted from Porter, 1998c, p. 211)

Based on these elements of Porter's cluster and competitiveness theory its application to

tourism can be seen as a useful strategy in regional and national development. As economic

globalization has rapidly expanded, the tourism phenomenon has also undergone rapid growth

leading to an increase in international competition between tourism destinations (Go & Pine,

1995). Free market competitiveness is considered an important driver in national economic

prosperity. Competitiveness is characterized by dynamics involving a complex interactive

process of social, political, and institutional change (Porter, 1998c). Porter's theory is the

predominant framework on competitiveness and so far the most comprehensive work related to

tourism has been conducted by Crouch and Ritchie (1999). However, given that Porter's competitiveness concept focuses on home environments, tourism destination competitiveness research has followed this framework and overlooked the important role of globalization for each destination.

2.1.3. New development paradigm.

The second development theory is based on an international business perspective. It combines trends and events occurring throughout the world, like the advent of globalization, with neoclassical components (Dunning & Fortanier, 2007) and it advances competitiveness theory. A weakness of Porter's theory is that it may have overlooked and underestimated the roles of Transnational Corporations (TNCs) and Foreign Direct Investment (FDI) in competitiveness (Moon, Rugman, & Verbeke, 1998; O'Malley & Van Egeraat, 2000). Porter exclusively emphasizes a "home-based" diamond approach and his model is typically applied in large and advanced economies (Clancy et al., 2001). From this exclusive point of view enthusiasts of his theory also have focused on the home environment of business success. Many factors may be affected by globalization and multi-nationalization, but the most prominent effect is the arrival of TNCs. In certain parts of the world, TNCs may be a main force of economic integration, which helps "to reap the economies of scale or scope, to diversify geographical risks and to better exploit the gains of the common governance of related value added activities" (Dunning, 1993, p.13).

Recognizing the critical role of TNCs, Dunning (1993), Rugman and D'Cruz (1993), and others have revised Porter's domestic diamond model and proposed the so-called "double-

diamond" or "multiple diamond" models that can be applied to smaller economies (Clancy et al., 2001; Moon, Rugman, & Verbeke, 1998; O'Malley & Van Egeraat, 2000). For example, some empirical studies show the inappropriate results when Porter's diamond model has been applied to countries such as Canada (Rugman, 1991), New Zealand (Cartwright, 1993), Korea, Singapore (Moon, Rugman, & Verbeke, 1998), and Ireland (Clancy et al., 2001; O'Malley & Van Egeraat, 2000). Researchers have suggested that while Porter's model fits well in advanced and developed economies it is likely to be of limited value in small peripheral economies because multinational activities in their economies are considered as an exogenous variable in Porter's original model (Cartwright, 1993; O'Malley & Van Egeraat, 2000; Rugman & D'Cruz, 1993).

The New Development Paradigm (NDP) has gained prominence since the mid-1990s and onwards. Dunning (2006) further develops this paradigm based on the views of three Nobel Laureates: Armartya Sen (substantive freedom and personal capability), Joseph Stiglitz (economic and structural transformation) and Douglas North (institutions), by exploring the implications of FDI and the activities of TNCs in development processes. Globalization, technological advances, and the disappointing results of development policies based on neoclassical approaches which are, for example, expending uneven development between the rich and the poor countries, have triggered the need for this new approach.

The main differences or characteristics of the NDP versus the Old Development Paradigm (ODP), in Dunning's notion, are in terms of means for development, the end result of development, and prime actors in development (see Dunning, 2006; Dunning & Fortanier, 2007). The NDP is consistent with competitiveness theory in that it focuses on resources, created assets, capabilities, innovation, entrepreneurships, and markets as main means to enhance development.

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Regarding the end results of development, the NDP extends the focus from economics to more ecological concepts including human development and sustainable development. The ultimate goal of development should be enriching the lives of individuals, improving the quality of life, education, environment, and increasing lifespan. The ODP limited the role of government and emphasized free markets because the governmental action is assumed to be distorting market mechanisms. However, the importance and significant role of institutions and institutional infrastructures including governments, civil society, and supranational entities has been emphasized in the NDP as factors for achieving development (Dunning, 2006; Dunning & Fortanier, 2007).

As the world is rapidly globalized and nations are integrated into the global economy, the NDP asserts that the impact of economic globalization on development processes, which includes the multinational economic activities of firms and the flows of foreign investment, as well as international trade, should be considered as one of the main catalysts of economic development (Dunning, 2006; Hirschman, 1958; OECD, 2005). In addition, these impacts of globalization would be more significant on small economies because they often lack capital and skilled labor, so the NDP provides a rationale of encouraging FDI policies and global integration in developing countries.

On the other hand, some schools of development economic research have criticized the real benefits from opening economies to the world economy and attracting FDI in developing and less developed countries (e.g. international dependence theory in the 1970s, the Other Canon founded by Erik Reinert in 2000). Even though the NDP has transformed the role of governments and the comparative advantage in neoclassical economic models, it still emphasizes liberalization and a free market system of international trade, even in small economies, which is

a core concept of the neoclassical approach. Most international organizations such as the World Bank and the International Monetary Fund (IMF) have, under the NDP perspective, forced FDI policies on developing countries. However, the evidence of the benefits of FDI policies and the relationship between FDI and economic development in developing countries is not sufficient to support the proponents of FDI asserting that FDI is essential for economic development (Lall & Narula, 2004; Mortimore & Vergara, 2004; Chang, 2004). Chang (2004) argues that "only when domestic industry has reached a certain level of sophistication, complexity, and competitiveness do the benefits of non-discrimination and liberalization of foreign investment appear to outweigh the costs" (p. 687). Reinert (2008) also asserts that if free trade and globalization were the best for every country, the important thing is the timing of adopting free trade. This implies that developing countries need to prepare their economies to be competitive and to benefit from economic globalization.

2.2 Tourism Destination Competitiveness (TDC) Theory

The main objective of tourism development and policy is to provide competitive tourism goods and services which meet tourists' wants and needs in order to attract tourists and increase tourism receipts. Through doing so, the ultimate goal is to increase the national economy and enhance the standards of living and the quality of life of residents, while at the same time maintaining the quality of the environment for future generations (Ritchie & Crouch, 2003).

2.2.1. Definition of competitiveness.

The competitiveness of industries, firms, and nations has been one of the critical issues in the field of economics, business, and development, as well as tourism and hospitality. In tourism literature, many researchers applied the competitiveness theory as a critical concept to explain tourism development, destination management, and tourism strategies, and then develop tourism competitiveness theory. It is believed that the competitiveness leads a destination to be sustained in the tourism industry and hence contributes to sustainable development in an entire country.

The definition of competitiveness is quite elusive, especially in macro-economics (Reinert, 1995). Scott and Lodge (1985) state that "national competitiveness refers to a nation state's ability to produce, distribute, and service goods in the international economy in competition with goods and services produced in other countries" in the 1985 book *U.S. Competitiveness in the World Economy.* Porter (1990, 1998c, 1998d) has brought substantial attention to competitiveness research in economics and business literature, and he defines the concept of competitiveness of nations as "national productivity." Although Porter suggests how to achieve competitiveness on a national level, he argues that the driving forces that determine national competitiveness are not nations, but the productivity of a firm or firms (Porter, 1998c). Hughes (1993) introduces two distinct meanings of competitiveness: one is relative efficiency; the other is relative international trade performance (market shares).

The Organization for Economic Co-operation and Development (OECD) defines competitiveness as "the degree to which a country can, under open market conditions, produce goods and services that meet the test of international markets, while simultaneously maintaining and expanding the domestic real incomes of its people over the long term" (1992, p. 237). According to the World Economic Forum (WEF) which annually publishes the Global

Competitiveness Report, a country's global competitiveness is defined "as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy" (World Economic Forum, 2010, p.4). The OECD's definition is based on the output of country's achievement, while the WEF's focuses on the inputs which make a country's competitiveness. There seems to be no generally accepted definition of competitiveness because the concept of competitiveness is multifaceted and too complex (Ritchie & Crouch, 2003).

Nevertheless, competitiveness is obviously seen as incorporating common elements of productivity, efficiency, and profitability, and all concepts seem to agree that the end result of competitiveness is enhancing standards of living and increasing social welfare. In tourism literature, a widely accepted definition is the one suggested by Ritchie and Crouch (2003): "[a destination's] ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying, memorable experiences, and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations" (p. 2).

2.2.2. An overview of tourism destination competitiveness.

Tourism competitiveness has emerged as a main topic in tourism research since the 1990s and over the last decade, tourism researchers have developed a theoretical and conceptual framework explaining how a tourism destination manages its competitiveness (Crouch, 2011). The concept of tourism destination competitiveness has evolved from focusing on tourism attractiveness to strategic development of the tourism industry in a more holistic way, one that

encompasses many advantages of competitiveness. The main contributors to developing a theoretical and conceptual basis include Poon (1993), Crouch and Ritchie (1999), Hassan (2000), Ritchie and Crouch (2003), Heath (2003), and Dwyer and Kim (2003). They provide a general understanding of tourism destination competitiveness and suggest extensive determinants that affect how a destination achieves and enhances its competitiveness over competitors.

Poon (1993) asserts that the tourism industry is becoming more mature and signaling the end of mass tourism. Accordingly, a new tourism industry "best practice" is needed to prepare the transformation from the old tourism industry practices of mass marketing, standardization, limited choice and inflexible holidays, to a "new tourism" of a more individual and segmented character (Poon, 1993). She argues that competitive strategies are necessary for tourism destinations. "This is so because:

1. Comparative advantages are no longer natural.
2. Tourism is a volatile, sensitive and fiercely competitive industry.
3. The industry is undergoing rapid and radical transformation—the rules of the game are changing for everyone.
4. What is at stake is not just tourism but the survival of tourism-dependent economies.
5. The future development and viability of tourism-dependent economies will depend not only on tourism, but on the entire service sector" (p. 291).

Therefore, Poon suggests four crucial strategies for tourism destination competitiveness in order for the tourism industry to transform itself into a "new tourism": (1) put the environment first and build responsible tourism, (2) make tourism a leading sector in adopting new strategies of development, (3) strengthen distribution channels in the marketplace, and (4) build a dynamic private sector and public/private sector cooperation (p. 294). This strategic approach has helped tourism researchers to recognize the critical issues of the tourism industry in transition.

Hassan (2000) introduces a new model of competitiveness based on Porter's diamond model, which focuses on the environmental sustainability of a tourism destination. Hassan states that when competing in a global marketplace, a destination whose strategic focus is placed on environmental sustainability in tourism development can achieve tourism growth. He also emphasizes building relationships and cooperation between key components, including the private and public sectors, and nongovernmental organizations (NGOs), similar to how Poon suggests partnerships between private and public sectors in a new paradigm of tourism destination management and development.

Heath (2003) develops a comprehensive framework of sustainable destination competitiveness in Southern Africa and proposes his model in the form of a house with foundations, cement, building blocks, and roof. The foundations provide fundamental elements to sustaining competitiveness, including (as taken from the figure): Providing and managing the key attractors (e.g. history, culture, events, etc.); Addressing the fundamental non-negotiables (e.g. personal safety and health issues); Providing the enablers (e.g. infrastructure, managing capacity); Capitalising the value-adders (e.g. location, value for money, and linkages with surrounding destinations); Ensuring appropriate facilitators (e.g. appropriate airline capacity, accommodation, distribution channels, etc.); Focusing on the experience enhancers (e.g. hospitality, service excellence, authentic experiences). He addresses that the key success drivers in a destination's competitiveness are "the establishment of a shared vision and inspirational leadership; clear guiding values and principles, and strategic emphasis being placed on the "people" factor (e.g., political will, entrepreneurship, community empowerment and human resource development.)" (p. 135). He further calls for the need to replace the traditional approach of operating within political boundaries with strong partnerships and strategic alliances among

stakeholders in the sub-continent of Southern Africa, and in doing so, he asserts that the tourism development could become the engine of growth that could improve the region's quality of life.

The most comprehensive work on TDC has been conducted by Crouch and Ritchie (1999; 2003). They contribute to the transition of tourism destination literature from the traditional focus on destination attractiveness (see Kim, 1998) into destination competitiveness using both tourism-specific elements and a wide range of generic business factors. Crouch and Ritchie (1999) build their conceptual model on Porter's "diamond of national competitiveness" and they (2003) further elaborate this model in *The Competitive Destination: A sustainable tourism perspective* (hereafter, RC's model). They suggest that tourism destination competitiveness is determined by five major components (Figure 2.2): "Qualifying and amplifying determinants (location, interdependencies, safety, cost/value, awareness/image, and carrying capacity), Destination policy, planning and development (system definition, philosophy/values, vision, positioning/branding, development, competitive/collaborative analysis, monitoring and evaluation, and audit), Destination management (organization, marketing, quality of service/experience, information/research, human resource development, finance and venture capital, visitor management, resource stewardship, and crisis management), Core resources and attractors (physiography and climate, culture and history, mix of activities, special events, entertainment, superstructure, and market ties), and supporting factors and resources (infrastructure, accessibility, facilitating resources, hospitality, enterprise, and political will)."

They also include in their model the micro and macro environments which affect the five components of destination competitiveness and that should be continually monitored. In addressing global forces (macro environments) in tourism destination competitiveness, they include concern for natural environments, the economic restructuring, the shifting demographics

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of the marketplace, the complex technology-human resource interface, and the emergence of cultural diversity in a homogeneous world. They contribute to developing tourism destination competitiveness in a comprehensive and multidimensional way that includes societal prosperity in a global world. Their view on global environments is that global forces are external factors which do not directly affect tourism competitiveness and they do not take into account the role of multinational activities like MNCs and FDI in their model. However, recent studies suggest that the developmental impact of FDI is crucial on the tourism industry especially in developing countries (Barrowclough, 2007; UNCTAD, 2008). Therefore, the TDC model needs to be refined by including globalization as an important factor.

Figure 2.2. Conceptual model of destination competitiveness (adopted from Ritchie & Crouch, 2003, p.63)

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Dwyer and Kim (2003) suggest an "integrated model" which represents determinants and indicators of destination competitiveness (hereafter DK's model, Figure 2.3). They combine the main elements of national and firm competitiveness of Porter's model with the main factors of destination competitiveness of RC's model. Its main determinants of competitiveness include Inherited Resources, Created Resources, Supporting Factors and Resources, Destination Management, Situational Conditions and Demand Conditions. They include socioeconomic prosperity as an end result of tourism competitiveness in the model implying the causal relationship between two components.
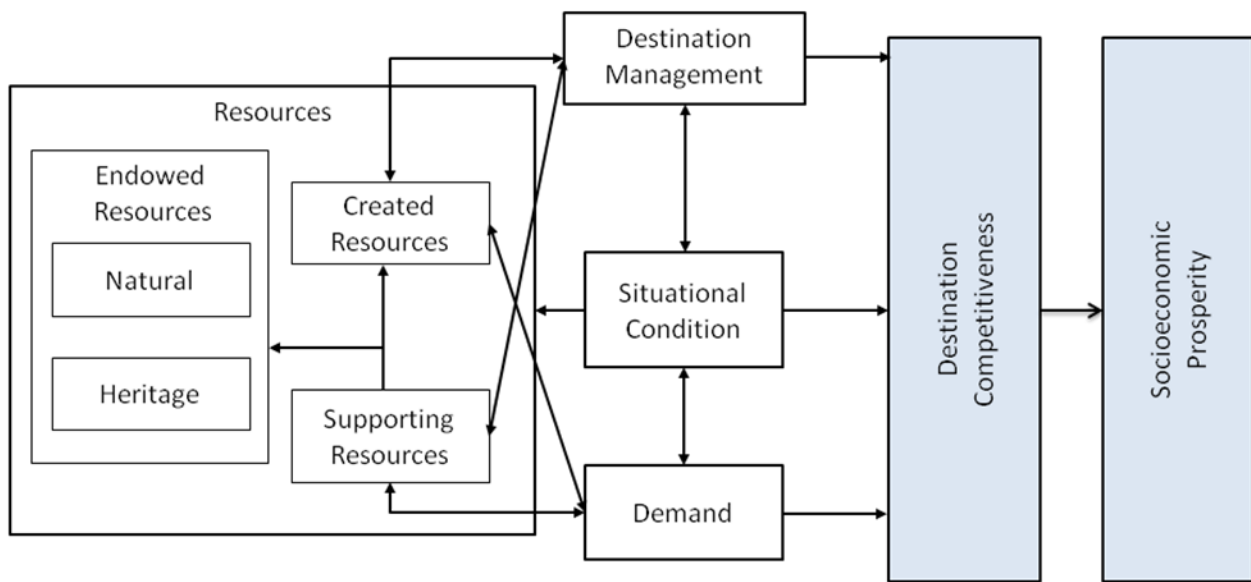
Figure 2.3. Destination competitiveness model (adopted from Dwyer & Kim, 2003, p.378)

This integrated model has been based on measuring a country's travel and tourism competitiveness as conducted by the World Economic Forum. However, as they stated, although the selected indicators and determinants are developed by the intensive discussion and surveys

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among industry operators, government officials, and tourism research academics in Korea and Australia, "there is no single or unique set of competitiveness indicators that apply to all destinations at all times" (Dwyer & Kim, 2003, p. 399). Therefore, it allows for the measuring of different indicators or changed sets of indicators or determinants for any given destination. Additionally, the end result of destination competitiveness, socioeconomic prosperity as suggested by RC's model, is not well defined and there has not been any empirical study on this relationship (Dwyer & Kim, 2003).

2.2.3. Application (empirical study) of tourism destination competitiveness.

Since the proposal of RC's model and DK's model, a number of studies on TDC have become active in evolutionary efforts to elaborate and empirically explain the structure of general models (e.g., Cracolici, Nijkamp, & Rietveld, 2008; Das & DiRienzo, 2009, 2010; Enright & Newton, 2004, 2005; Gooroochurn & Sugiyarto, 2005; Kozak & Rimmington, 1999). Some researchers have focused on methodological development and others have tried to broaden TDC theory. Yet, empirical studies testing the proposed models as a whole system are still very limited. One main branch of these studies is continuing the line of traditional marketing positioning research and aims to diagnose the competitive position of a certain destination. It includes the United States (Ahmed & Krohn, 1990), Sun/Lost City, South Africa (Botha, Crompton, & Kim, 1999; Kim, Crompton, & Botha, 2000), middle eastern countries (Gursoy, Baloglu & Chi, 2009), Turkey (Kayar & Kozak, 2010; Kozak, Baloğlu & Bahar, 2010; Kozak & Rimmington, 1999), Greece (Patsouratis, Frangouli, & Anastasopoulos, 2005), and Southeast Asia (Pearce, 1997). Some case studies have explored the strengths and weaknesses of particular

destinations and diagnosed four factors based on Porter's diamond model, including Romania

(Bobirca & Cristureanu, 2008), the Caribbean region (Craigwell & Worrell, 2008; De Keyser &

Vanhove, 1994), Cuba (Miller, Henthorne, & George, 2008), and Bruges (Vanhove, 2002).

The second type of research has employed a survey instrument to measure tourism

destination competitiveness and it seems to be consistent with traditional satisfaction and tourism

attractiveness studies. Enright and Newton (2004, 2005) focus on developing attributes of

destination competitiveness and extend conventional factors of RC's model by adding general

business factors. They surveyed tourism-related practitioners in Hong Kong. Gomezelj and

Mihalič (2008) surveyed tourism stakeholders on the supply side in Slovenia and identified

tourism competitiveness factors based on DK's model and the TDC model by De Keyser and

Vanhove (1994). Chen, Sok, and Sok (2008) applied tourism competitiveness indicators of DK's

model and the World Travel and Tourism Council's model to identify the competitiveness of

Cambodia, and implemented a survey method from the perspective of tourism experts. On the

other hand, some researchers argue that the satisfaction of tourists can appropriately measure the

tourism competitiveness of a destination since according to a resource based view; destinations

(tourist area) can be considered suppliers that provide tourist products and services, so the

tourist's evaluation is considered a proper tool to evaluate tourism competitiveness (Cracolici, &

Nijkamp, 2008; Kozak & Rimmington, 1999; Kozak, Baloǧlu, & Bahar, 2010). In this case,

there exists a missing part which cannot be evaluated by visitors due to the limited knowledge

they have of destinations they visit.

The third type of studies on TDC focuses on particular aspects of tourism

competitiveness such as price competitiveness (Craigwell & Worrell, 2008; Dwyer, Forsyth, &

Rao, 2000, 2002; Dwyer, Mistilis, Forsyth, & Rao, 2001; Mangion, Durbarry, & Sinclair, 2005),

economic factors affecting tourism demand (Patsouratis, Frangouli & Anastasopoulos, 2005), efficiency (Cracolici & Nijkamp, 2006; Cracolici, Nijkamp, & Rietveld, 2008), quality management (Go & Govers, 2000), environment (Hassan, 2000; Mihalič, 2000), and destination marketing (Buhalis, 2000). In tourism demand studies, price competitiveness has been regarded as one of the most critical determinants to attract tourists to a destination. While it is necessary to have competitive position in price, this is not sufficient to explain the complexity of tourism destination competitiveness. Even if a certain destination in developing countries is highly competitive in price against a destination in an advanced economy, it cannot attract considerable people due to the lack of infrastructure or attractiveness. Recently, a new approach considers efficiency as a proxy for tourism competitiveness, implying that if the resources (material and human) in a certain destination are efficiently consumed for tourism products and services, the destination will have high competitiveness (Cracolici, Nijkamp, & Rietveld, 2008). While this approach contributes to a methodology to measure tourism competitiveness by employing Data Envelopment Analysis (DEA), it is limited to certain factors by applying only labor and capital (material, human, and heritage capital) as determinants of competitiveness.

Other research explains the relationship among components of TDC models such as between determinants and tourism competitiveness, or between tourism competitiveness and external factors which are not addressed in the previous TDC models. Das and DiRienzo (2009, 2010) address the relationship between tourism competitiveness and freedom of the press and corruption of a country. Bobirca and Cristureanu (2009) suggest mutually interdependent relationships between export performance and international competitiveness by examining the export and import structure in Romania. Accounting for the status of economic development and the size of a nation, Croes (2010) suggests a new tourism competitiveness index for small island

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destinations, and Croes and Rivera (2010) address the empirical causal relationship among economic development as measured by real GDP per capita and tourism receipts.

Mazanec, Wöber, and Zins (2007) extend a definitional and conceptual model to an explanatory model which can empirically test the causal relationship between determinants and tourism competitiveness using the framework of the Competitiveness Monitor (CM) of the World Travel and Tourism Council (WTTC) but the relationships between indicators and latent constructs were treated as formative one rather reflective in the structural model. They found that the tourism competitiveness construct is a latent one that uses three variables: the growth rate of international arrivals in a country, market share based on international arrivals, and distance-weighted market share. In addition, they found that only three determinants out of eight contribute to overall tourism competitiveness: heritage and culture, social competitiveness (economic wealth), and education. The shortcoming of this model is that they do not include the end result or main goal of tourism destination competitiveness, which is represented as the standard of living or quality of life in a destination. Rather, they consider social competitiveness, including the Human Development Index (except education), as an explanatory factor even though it is usually used as a proxy for standard of living or well-being.

In summary, previous research has not yet explained and tested a tourism destination competitiveness model as a whole system as proposed by RC's model and DK's model. Mazanec, Wöber, and Zins's study (2007) is the first attempt to test the cause-effect relationship by transforming a conceptual model into an explanatory model, but the ultimate goal of tourism competitiveness is missing in their test. Although recent research has accepted that external factors, like corruption, freedom of the press, and economic development, affect competitiveness at the a macro level, to date no one has taken into account the economic globalization factors

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which are affected by Foreign Direct Investment (FDI) and Multinational Corporations (MNCs) on tourism competitiveness. Globalization is one of the hottest issues in the field of development and international business as well as tourism, and it is a critical issue for the competitiveness of developing countries and small economies. However, globalization has not been significantly discussed in tourism competitiveness literature, even in tourism literature, so there is a need for further investigation (Hjalager, 2007).

2.2.4. Determinants and indicators of destination competitiveness.

There are studies that focus on developing determinants or indicators that contribute to success in achieving tourism destination competitiveness. After having proposed a theoretical base, the next step should be devoted to developing determinants and indicators and to test the relevance of model components (Dwyer & Kim, 2003). Previous studies developed a number of factors and indicators (e.g., Courch & Ritchie, 1999; Dwyer & Kim, 2003; Heath, 2003). Since the complexity and multidimensional characteristics of the concept make it difficult to measure, recent studies have tried to find relevant and more specific indicators (Crouch, 2011; Enright & Newton, 2004, 2005; Gooroochurn & Sugiyarto, 2005; Hong, 2009; Kayar & Kozak, 2010; Navickas & Malakauskaite, 2009).

Vanhove (2006) compares the major competitiveness models by Porter (1990, 1998a), Poon (1993), WES (1994), Dwyer and Kim (2003), Bordas (1994), and Ritchie and Crouch (2003), and summarizes competitiveness indicators into 25 major variables in order of importance including comparative advantage, macro-economic factors, exchange rate, axis of development, tourism policy, strategic planning, strategic alliance, demand factors, marketing,

image, promotion, supply factors, attractions, innovation, human resources, price, accessibility, quality, supplying and supporting factors, environment, destination management, qualifying and amplifying facts, audit, entrepreneur-oriented, and destination-oriented. These indicators are limited in that some variables are duplicated and the importance of variables is based on a subjective interpretation.

Tsai, Song and Wong (2009) review previous research on tourism and hotel competitiveness and suggest17 main determinants of tourism destination competitiveness: technology and innovation, infrastructure, human capital, price, environment, openness, social development, human tourism, government, history and culture, micro environment, macro environment, destination management (marketing), situational factors, demand conditions, customer satisfaction, and social and psychological factors. Furthermore, the systematic and practical approach at national level was contributed to by some international organizations. The World Travel and Tourism Council (WTTC) developed the Competitiveness Monitor (CM) with 8 indicators (Figure 2.4) and then the CM was transferred to the World Economic Forum (WEF). The WEF has reported a Travel and Tourism Competitiveness Index (TTCI) for about 130 countries since 2007. TTCI constitutes comprehensive indicators (72 listed in the 2011 report) to measure and compare a nation's travel and tourism competitiveness.
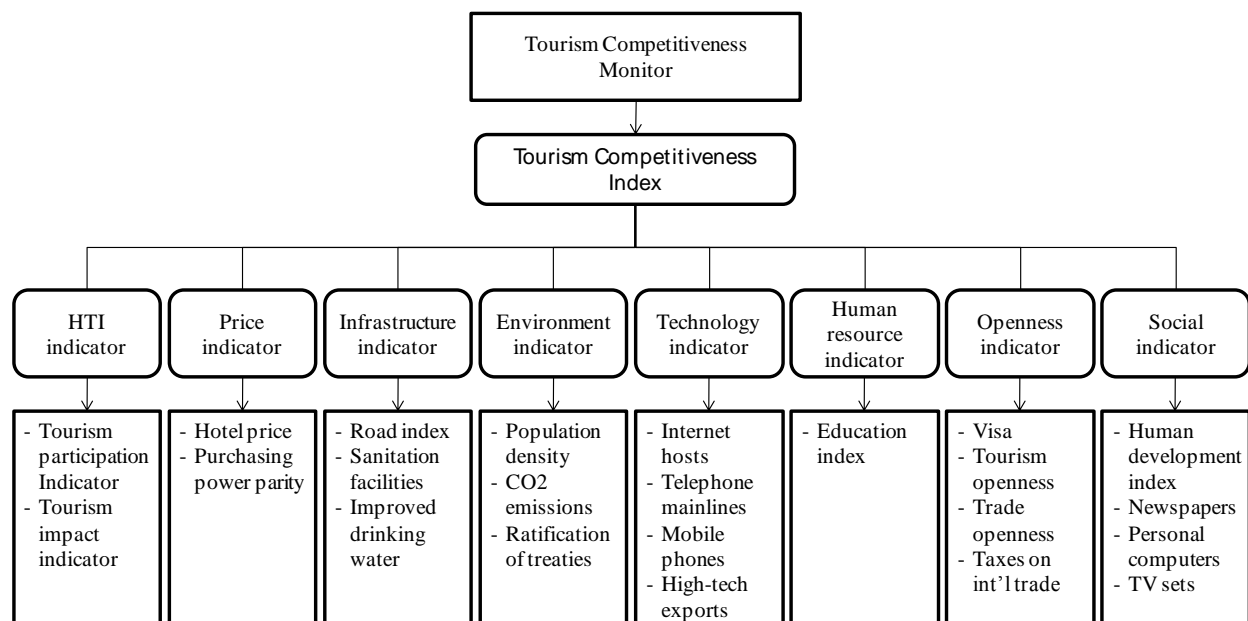
Figure 2.4. Structure of tourism competitiveness monitor (Gooroochurn & Sugiyarto, 2005, p.29)

Gooroochurn and Sugiyarto (2005) and Navickas and Malakauskaite (2009) measure and evaluate 8 factors of the Competitiveness Monitor (CM) of the WTTC, including human tourism indicators; price competitiveness indicators, infrastructure development, environment related indicators, technological advancement indicators, human resource indicators, openness indicators, and social development indicators. Kayar and Kozak (2010) use 13 factors of the 2007 TTCI to evaluate the relative importance of key factors by ranks. Hong (2009) develops competitiveness indicators based on the economic theories of Ricardian comparative advantage and Porterian competitive advantage and gives each factor relative weight by employing the analytic hierarchy process (AHP) of expert judgment. Crouch (2011) evaluates the importance of five factors consisting of 36 attributes in a general conceptual model of tourism competitiveness by using the

analytic hierarchy process (AHP) method and, in advance, their respective determinance

measures. The five factors include core resources and attractors, destination management,

qualifying and amplifying determinants, destination policy, planning and development, and

supporting factors and resources in order of importance ranking by experts' judgment.

All of these studies recognize the relative importance of factors and so seek to measure

the weights of factors and indicators to determine the competitiveness of a destination. However,

the question is whether there is a universal set of attributes which can apply to all levels of

destinations and all types of destinations with regard to the main characteristics of travel

activities in a destination, the level of economic development at a national level, the extent to

which the country's economy depends on the tourism industry as a percentage of total GDP, or

the size of a nation (Croes, 2010; Enright & Newton, 2005; Kozak & Rimmington, 1999). The

factors or indicators contributing to tourism destination competitiveness and hence to the

standard of living, or the quality of life, will differ for countries relative to different levels of

development, as emphasized by the World Economic Forum (Dwyer & Kim, 2003; World

Economic Forum, 2010). Therefore, this study aims to respond to a need for additional research

on the application of the TDC models according to the different stages of development.

2.3 Tourism, Globalization, and Economic Development

2.3.1. Globalization and tourism.

During the past decades the world economy has become more integrated through

internationalization and globalization, and this integration has been recognized as a necessary

factor for economic development and economic growth (Fayed & Fletcher, 2002). According to

Parker (1998), globalization refers to the growing interactions among countries in trade, foreign investment and capital markets, while the United Nations Conference for Trade and Development (UNCTAD) (1996) emphasizes the liberalization of trade between nations which refers to the absence of the borders and barriers in world trade. The World Trade Organization (WTO) (1999) states that globalization is a multifaceted and complex concept affecting not only economic activities but also social, cultural, and political phenomena. In this study, I mainly focus on the economic perspective of globalization in tourism destinations and employ foreign direct investment and openness to the world economy as indicators of the economic globalization suggested by OECD (2005).

There is no doubt that globalization increases international flows of people through increasing trade and investment among countries, so international tourism will be growing along with international economic activities. As technological progress and liberalization of trade has forced globalization in the world, service sectors, especially the tourism sector, has increased its important role in the integration of the world economy, as indicated by the fact that travel and transportation services accounted for almost 50% of the world exports of commercial services during 2006-2009 (WTO, 2010). According to the World Travel and Tourism Council (WTTC), the tourism and travel industry is expected to directly support 99,048,000 jobs (3.4% of total employment), and the direct contribution of travel and tourism to GDP is expected to be 2.8% of total GDP, and its total contribution to the world GDP is expected to be 9.1% in 2011. The positive impact of travel and tourism through globalization is in the increase of foreign exchange earnings, tax revenues, investment, and job creation. These impacts have encouraged governments of many economies to use tourism as an agent of macro-economic policies, often implementing policies related to employment levels or the balance of payments (Fayed &

Fletcher, 2002). This would be more significant in developing countries whose tourism industry is a major sector they have in international trade services.

The net result of globalization has always been a trade-off between economic gains and costs, and the type of globalization in trade and investment shows various results and trends in different countries relative to their economic status. That is, what might be an opportunity in one country is an economic threat in another. Many countries have believed that the travel and tourism industry can be effective in opening up new trade, and investment opportunities can guarantee long-term stability in market access under the General Agreement on Trade in Services (GATS) (Handszuh, 1992). Te Velde and Nair (2006) suggest that GATS commitments have increased the amount of inward FDI to the Caribbean countries, and their result show that FDI inflow contributes to development. On the other hand, some argue that this idea may be truer for the tourism industries in developed countries than for those in less developed countries (Fayed & Fletcher, 2002). Lall and Narula (2004) suggest that "Multinational Enterprises (MNEs) and FDI may well lead to an increase in productivity and exports, but they do not necessarily result in increased competitiveness of domestic sectors or increased industrial capacity, which ultimately determines economic growth in the long run" (p. 461).

Globalization gives countries opportunities to increase exports, which can lead economic growth, and at the same time it also increases the inflow of global capital by MNEs. Many industrialized countries and newly industrialized countries have focused on outward FDI and exports as a strategy to enhance their economies (UNCTAD, 1995), while developing and less developed countries have tried to attract inward FDI because the lack of capital in their countries calls for investment from outside in order to increase national economic growth. The impact of inward FDI in tourism will differ among countries under their circumstances. UNCTAD (1995)

suggests that careful thought is required when liberalization policies are implemented by recognizing that "most countries should be able to develop calibrated and phased liberalization strategies that fit their own conditions and permit enterprises to maintain their international competitiveness through outward FDI" (p. 46). Dwyer and Forsyth (1994) conclude that "[f]or a less developed country, the effect of foreign investment is probably positive, though this need not always be the case. It is likely that the various effects, and the consequent net benefits or costs are relatively larger for developed countries and these benefits and costs are more conditional upon the circumstances of the case" (pp. 535-536).

In tourism competitiveness literature, as stated above, most studies have heavily credited the home-based approach of Porter's diamond model and ignored globalization to a great extent, neither as an endogenous nor exogenous variable. Dwyer and Kim (2003) list FDI in the tourism industry as an indicator of destination competitiveness but it is referred to as a market performance indicator, which is not explained in their model. Smeral (1998) discusses the impact of globalization and addresses the competitiveness strategy based on Porter's model in the tourism industry for small and medium sized enterprises, but he sees globalization as a threatening environment that intensifies international competition in Europe. Recently, WEF and WTTC have recognized the impact of globalization on tourism competitiveness and now include an openness index as one factor in the Travel and Tourism Competitiveness Index. Yet, there is no theoretical framework and empirical test for the relationship between globalization and tourism competitiveness, whether it could be an endogenous or exogenous factor for tourism destination competitiveness. Therefore, this study aims to identify this relationship as the research question is whether FDI policies and free trade policies can be promising strategies to enhance tourism competitiveness and contribute to development in small economics. In the next

section I discuss some evidence of the relationship between globalization and tourism, particularly in the cases of developing countries.

2.3.2. Foreign direct investment in tourism.

There are some difficulties in investigating the extent of real FDI in the tourism sector and the impact of it in host countries because accurate data on FDI in the global tourism economy are lacking. The lack of data is a fundamental problem, and is due to the fact that the tourism sector consists of a large number of diverse and interlinking industrial activities. In addition, the studies on MNCs in the tourism industry focus mostly on management and business perspectives, e.g. what makes MNCs extend their business to foreign countries or what factors affect the entry of MNCs in foreign countries (e.g. Dunning & Zhang, 2008; Lee, 2008), and the impact of international hotels on the domestic tourism industry (e.g. Anastassopoulos, Filippaios, & Phillips, 2009; Bohdanowicz & Zientara, 2009; Fortanier, & van Wijk, 2010). There are few studies that investigate the impact of FDI and MNCs in the host countries.

Nevertheless, the efforts to reveal the impacts of tourism FDI, especially in developing countries, have been undertaken by UNCTAD and some researchers. Endo (2006) revealed that the majority of FDI has been directed to developed countries but many developing countries cannot ignore the potential roles played by tourism TNCs. Suntikul, Butler and Airey (2010) show that inward FDI by Vietnam's open-door policy positively influences the accommodation industry, thus increasing international standards and then attractiveness. Tang, Selvanathan and Selvanathan (2007) also suggest that FDI is positively related to tourism arrivals in China. The evidence from official data of UNCTAD and the survey of international hotel chains by

UNCTAD (2007) shows that developing countries are gaining tourism FDI and, in some cases, these increases have been significant, even though foreign investment is mainly concentrated in developed countries (Barrowclough, 2007).

In terms of the developmental impact of FDI on the tourism industry, case studies in East and Southern African countries have concluded that tourism FDI inflows contributed to increasing international tourist arrivals and revenues as well as raising the productivity of the domestic tourism industry and its competitiveness. Such increases were attributed to the transfer of skills and technology to local business managers and employees (UNCTAD, 2008). For example, in the case of Botswana, where the tourism sector has emerged as a major economic activity, foreign-owned enterprises and joint ventures in the tourism sector employed more people than domestic establishments, and purchased most of the products used in their local businesses. This case study shows signs of linkages between Transnational Corporations (TNCs) and local wholesalers, retailers, and small and medium sized enterprises (SMEs). This preliminary research suggests that domestic interest and participation in the tourism sector has emerged relatively recently after the industry has been settled mainly by FDI inflows.

Although it would be premature to conclude that TNCs and FDI in the tourism industry bring positive impacts to developing host countries, the UNCTAD survey shows plausible evidence that there is a positive association between tourism demand and supply capacity by TNCs. In the example of the Dominican Republic, the tourism industry was launched by a government initiative in the 1970s but only became prosperous in the 1980s due to an increase in private investment and FDI (Figure 2.5). The number of hotel rooms increased from 2,000 in 1971 to close to 60,000 by 2004 and around 60% of hotel rooms in 2004 were owned by foreign

investors. The increase of tourist arrivals also showed a similar pattern to supply capacity of hotel rooms. Tourists increased from 69,999 in 1971 to around 4.5 million by 2004.
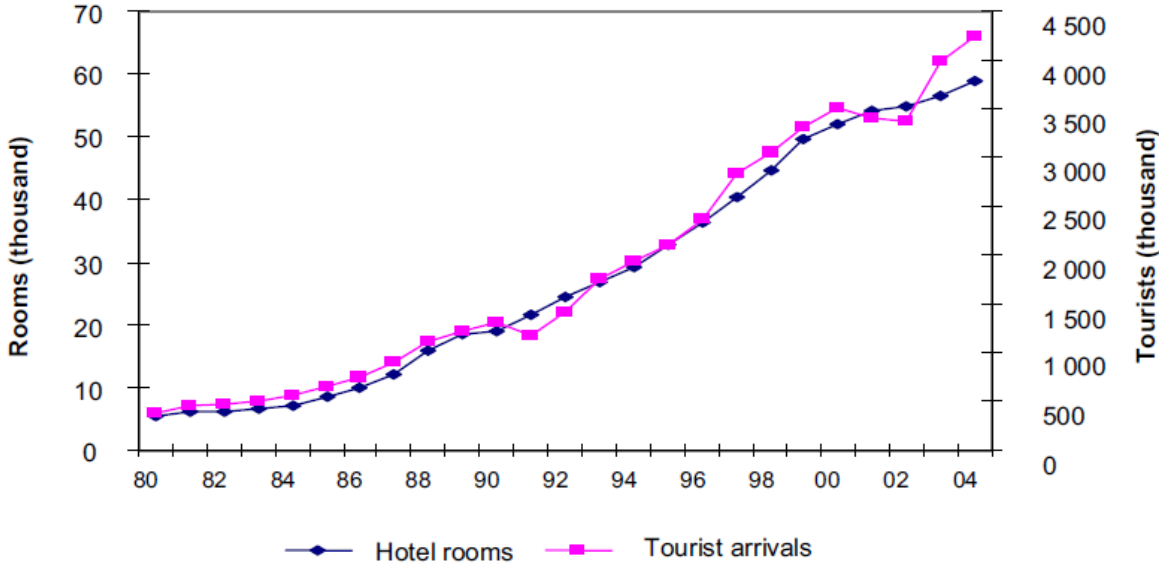
Figure 2.5. Dominican Republic: Tourism boom matches rise in FDI (UNCTAD, 2007)

Another example can be found in emerging tourism economies. This is a more clear case that shows a sharp increase in tourist arrivals directly linked to FDI inflows in Bhutan and the United Republic of Tanzania. In Bhutan the market entry of the first TNC hotels occurred as recently as 2004 and the number of tourist arrivals in 2005 sharply increased by more than twice that in the previous year (Figure 2.6). The sharp increase was not only due to a greater supply of hotel rooms by TNC hotels. At that time most international tourists stayed in domestically owned accommodations rather than new TNC hotels. New international hotels created the first five-star or luxury accommodations which then contributed to the creation of a new market segment in Bhutan. New TNC hotels could tap into the marketing power of brands and publicity in global

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tourism and general media. Their marketing efforts and promotion of their hotels in Bhutan not only induced tourist arrivals in their target market segments but also boosted long term tourist interest and awareness of the host country.
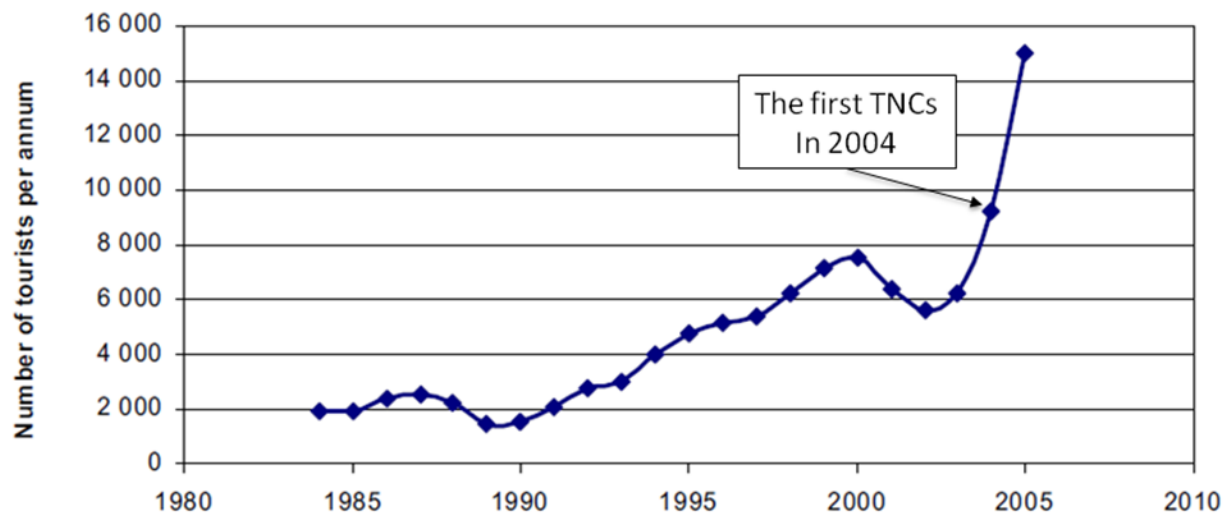
Figure 2.6. Tourism in Bhutan (1984-2005): Tourist arrivals surge following entry of the first TNC hotels (UNCTAD, 2007)

The negative effects of TNCs and FDI have also been discussed in the tourism literature and it is still debatable whether the positive impacts can compensate the negatives. The main concern of FDI in the tourism sector in small economies is foreign exchange leakages because small economies are unable to provide domestic labor that is sufficiently skilled, the materials for construction, or foods and beverages required (Barrowclough, 2007). The leakages take various forms, such as interest charges on foreign debt incurred for tourism development, the import of materials and capital goods, the import of consumables for the tourism industry, the employment of foreigners, the repatriation of profits by TNCs, and the depreciation in

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infrastructure due to tourism (Smith & Jenner, 1992). Smith and Jenner show the leakages of gross tourism expenditures in eighteen developing countries and the range of leakage varies from as little as 10.8 percent (Philippines in 1978) to as much as 90 percent (Mauritius in 1965). However, this area is controversial as the measure of leakage is inconsistent, the impacts of TNCs or FDI vary between countries, and the empirical evidence of leakages still lacks confirmation of whether foreign exchange leakage effects exceed direct benefits (foreign exchange earnings, creating jobs, broadening economic base, etc.) and indirect effects (consumption multiplier effects, value chain multiplier effects, spillover effects, etc.).

As shown above, the policy of inward FDI in developing or less developed counties can be an opportunity to contribute to increasing international tourists by enhancing tourism infrastructure and qualified tourism products which meet international standards. On the other hand, it could be a threat to small economies by increasing foreign exchange leakages by MNEs and intensifying international competition with domestic small and medium enterprises (Smeral, 1998). Therefore, there is a need for investigation into whether globalization in terms of FDI can contribute to the tourism industry and tourism competitiveness. In addition, it is questionable that economic globalization benefits all destinations regardless of their stage of economic development.

CHAPTER III. RESEARCH METHODOLOGY

The purpose of this study is to explore the main determinants of tourism competitiveness, the impact of globalization and economic development on tourism competitiveness, and the structural relationship between tourism competitiveness and socioeconomic prosperity at the country level. The main determinants of tourism competitiveness were proposed based on the framework of Porter's diamond model and this study explores if the factors of the framework can be identified in a TDC framework as latent factors of tourism destination competitiveness. This study proposes that globalization has a direct impact on TDC in the small economies of less-developed countries. To identify the impact of globalization as a main factor on TDC and the entire structure of TDC, Structural Equation Modeling (SEM) with latent variables, specifically Partial Least Square (PLS) path modeling, is employed. In summary, this chapter describes the research method employed. The research framework, research model, and hypotheses are discussed. The discussion on how the constructs are operationalized and how the indicators were selected is also provided.

3.1 Research Model and Hypotheses

This study tests the following structural model to explain the relationship between main determinants, tourism competitiveness, and socioeconomic prosperity; and to identify a direct effect of globalization and a moderating effect of economic development (Figure 3.1).
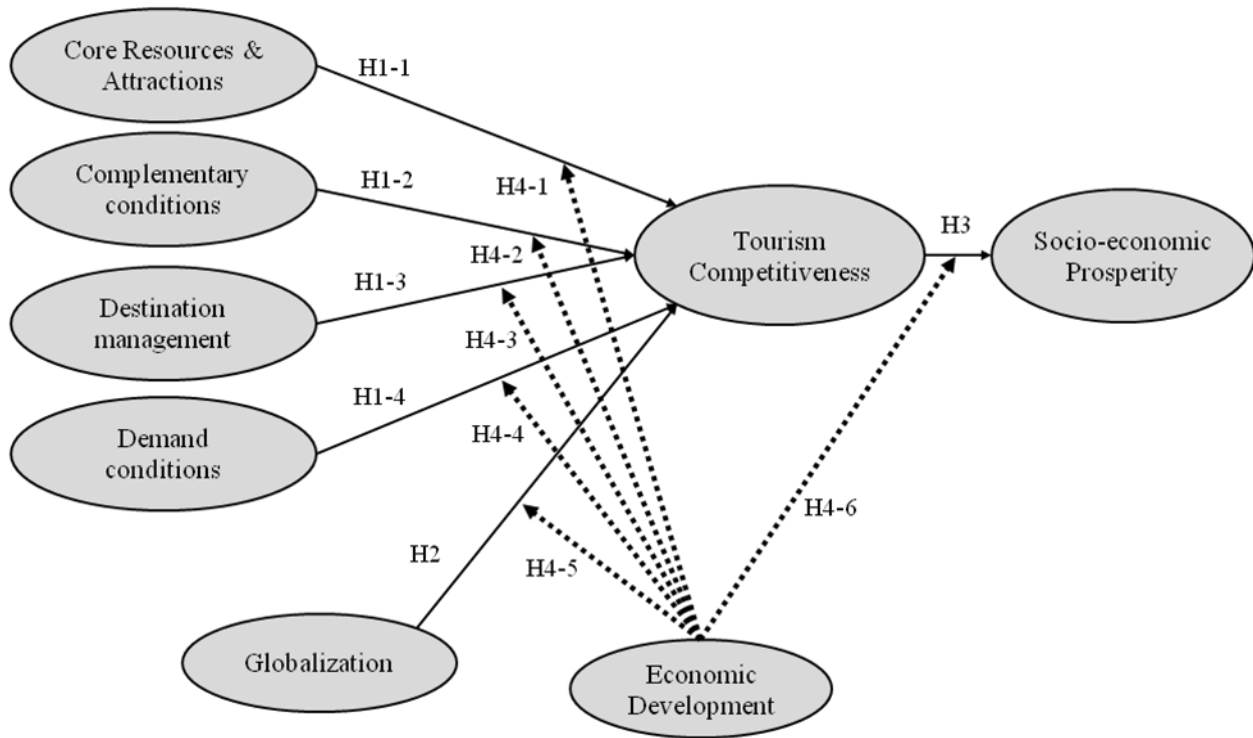
Figure 3.1. Research structural model

Four sets of hypotheses are proposed according to research questions to determine the main factors of tourism destination competitiveness; to test whether tourism destination competitiveness contributes to a country's socioeconomic prosperity; to test whether globalization contributes to tourism competitiveness; and to determine a contingent effect of economic development on the main factors and on the tourism competitiveness relationship. Accordingly, I propose the following hypotheses:

RQ 1. What are the factors of tourism competitiveness?

  H 1-1: The extent of core resources and attractions positively affects tourism competitiveness.

  H 1-2: The level of complementary conditions positively affects tourism competitiveness.

  H 1-3: The level of destination management positively affects tourism competitiveness.

H 1-4: The level of demand conditions positively affects tourism competitiveness.

RQ 2. What is the impact of globalization on a nation's tourism competitiveness?

H 2. The level of globalization positively and directly affects tourism competitiveness.

RQ3. What is the impact of tourism competitiveness on socioeconomic prosperity?

H 3. Tourism competitiveness positively affects socioeconomic prosperity.

RQ 4. What is the impact of economic development on a nation's tourism competitiveness?

H 4-1: The level of economic development of a nation has a moderating effect on the impact of core resources and attractions on tourism competitiveness.

H 4-2: The level of economic development of a nation has a moderating effect on the impact of complementary conditions on tourism competitiveness.

H 4-3: The level of economic development of a nation has a moderating effect on the impact of destination management on tourism competitiveness.

H 4-4: The level of economic development of a nation has a moderating effect on the impact of demand conditions on tourism competitiveness.

H 4-5: The level of economic development of a nation has a moderating effect on the impact of globalization on tourism competitiveness.

H 4-6: The level of economic development of a nation has a moderating effect on the relationship between tourism competitiveness and socioeconomic prosperity.

3.2 Data Collection

This study attempts to measure tourism destination competitiveness and to test a structural model utilizing secondary data published by various institutions. Secondary data is used due to its benefits. For example, the secondary data is more useful when data cannot be

obtained using primary data collection methods and the data may be obtained more rapidly and at a less costly rate than by collecting primary data (Gorard, 2002). However, there also exist disadvantages of secondary data. The representativeness of the data, in some instances, may be questionable because the researcher often does not know how much data is distorted or biased. Especially when using international data, the needed data may not be obtained in a certain country and the accuracy of some data cannot be guaranteed under circumstances where countries use different definitions or do not collect data according to international standards (Zikmund, 2003). Nevertheless, due to the need for a large data set at the country level, this study uses secondary data obtained from various international organizations based on their international reputations.

Main data sources include the World Economic Forum (WEF) and the World Travel & Tourism Council (WTTC) for obtaining tourism competitiveness and performance data. Specifically, this study uses a wide range of indicators reported in the Travel and Tourism Competitiveness Index (TTCI) by WEF (WEF, 2011). The TTCI aims to "measure the factors and policies that make it attractive to develop the travel and tourism sector in different countries" (WEF, 2011, p.4) and combines three sub-indexes (the Travel & Tourism regulatory framework; the T&T business environment and infrastructure; and the T&T human, cultural, and natural resources) which are composed of 14 pillars consisting of 72 indicators in all. The final scores and rankings of each country by each indicator are reported in the 2011 Travel and Tourism Competitiveness Report that covered a total of 139 countries/economies. The dataset includes both quantitative data from publicly available sources, international organizations, and travel and tourism institutions, and survey data from the World Economic Forum's annual Executive Opinion Survey (WEF, 2011). The survey was conducted among CEOs and top business leaders

in all economies who are making the investment decisions in their economies. It included

qualitative institutional and business environment issues, specific issues related to the travel and

tourism industry such as the availability of qualified labor in a country and the extent to which a

country is open to foreign visitors. This study collects the scores from relevant indicators of

TTCI as variables of tourism destination competitiveness. The data on globalization are from the

2011 United Nations Conference on Trade and Development (UNCTAD) statistics. The data on

economic development and socioeconomic prosperity are from the World Bank's open data and

the United Nation Development Programme (UNDP) data.

3.3 Measurement Scales and Instruments

I suggest four exogenous constructs as determinants of tourism destination

competitiveness (TDC), one exogenous construct of globalization, one moderating variable of

economic development, and two endogenous constructs as the outcome of tourism destination

competitiveness. I propose four determinants of TDC based on Porter's diamond model and

explore whether this model can be affirmed as suggested. In addition, I also propose

globalization as a determinant of TDC, especially in small economies. All variables of

exogenous constructs as determinants are selected from the 2011 TTCI which includes a

comprehensive range of indicators in order to measure the travel and tourism competitiveness of

139 nations. Each construct is operationalized and consists of relevant variables based on

thorough literature review and theoretical background.

Please note that symbols in the PLS path modeling are defined in Table 3.1.

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Table 3.1 Notation for PLS Path Modeling

Model	Symbol	Definition
Measurement model	X	manifest variables (observed variables)
	ξ	vector of latent exogenous (independent) constructs
	Λ	coefficients relating x to ξ
	ε	unexplained component of ξ
Structural model	η	latent endogenous (dependent) construct
	ξ	vector of latent endogenous (dependent) construct
	B	matrix of coefficients for latent endogenous constructs
	ζ	latent errors in structural equations

3.3.1. Determinants of TDC.

I suggest four exogenous constructs as determinants of TDC: core resources and attractions, complementary conditions, destination management, and demand conditions. Each construct consists of a set of variables chosen from the 2011 TTCI. Details of the variables used are given in Tables 3.2 through 3.7.

3.3.1.1 Measurement of core resources and attractions.

This construct represents the main conditions that draw tourists to destinations and is a critical factor in creating tourism products. This is the most important determinant of tourism destination competitiveness (Bahar & Kozak, 2007; Crouch & Ritchie, 1999; Dwyer & Kim, 2003; Enright & Newton, 2004, 2005; Hong, 2009; World Economic Forum, 2011). This is based on the integrated model proposed by Dwyer and Kim (2003) including "endowed resources" and "created resources." Endowed resources are the comparative advantages of destinations that cannot be imitated by competitors and are classified as natural resources and heritage or cultural resources. Natural resources in general include mountains, lakes, beaches,

and rivers; heritage or cultural resources which can give tourists memorable experiences include

such attributes as cuisine, handicrafts, and the culture or history of a destination. Created

resources can enhance the attractiveness of destinations and the satisfaction of customers by

providing diversity and uniqueness with the tourism experience and possibly overcome

weaknesses in terms of endowed resources. It includes special events or festivals, the mix of

possible available activities within a tourism destination, entertainment, and shopping.

Table 3.2 Measurement of Core Resources and Attractions

Variables	Measurement*
1. Natural resources 1	Number of World Heritage natural sites in the country (2010)
2. Natural resources 2	Protected areas as a percentage of total land area (2010)
3. Natural resources 3	How would you assess the quality of the natural environment in your country? [1 = extremely poor; 7 = among the world's most pristine] (2009–2010 weighted average)
4. Natural resources 4	The total known species of mammals, birds, and amphibians in the country (2010)
5. Cultural resources	Number of World Heritage cultural sites and Oral & Intangible Heritage (2010)
6. Created resources 1	The ratio of total seats for all major sports stadiums in the country to the total population (in millions)
7. Created resources 2	The average number of international fairs and exhibitions held annually in each country between 2007 and 2009
8. Created resources 3	The share of the world's total exports of the following creative industries products: art crafts such as carpets, celebration articles, paperware, wickerware, yarn, other; films; architecture, fashion, glassware, jewelry; music; books, newspapers and other; antiques, paintings, photography, sculpture, and other (2008)

Notes: Details of measurement scales and data sources are presented in the 2011 Travel and
    Tourism Competitiveness Report.

In the TTCI, the scale for measuring core resources and attractions includes natural

resources, cultural resources, and created resources scores of each country. It includes eight

variables: number of world heritage natural sites, protected areas, quality of the natural

environment, total known species, number of world heritage cultural sites, sports stadiums,

number of international fairs and exhibitions, and creative industries exports. Details of the

measurement scales are described in Table 3.2 and Figure 3.2 displays the measurement model

of core resources and attractions.
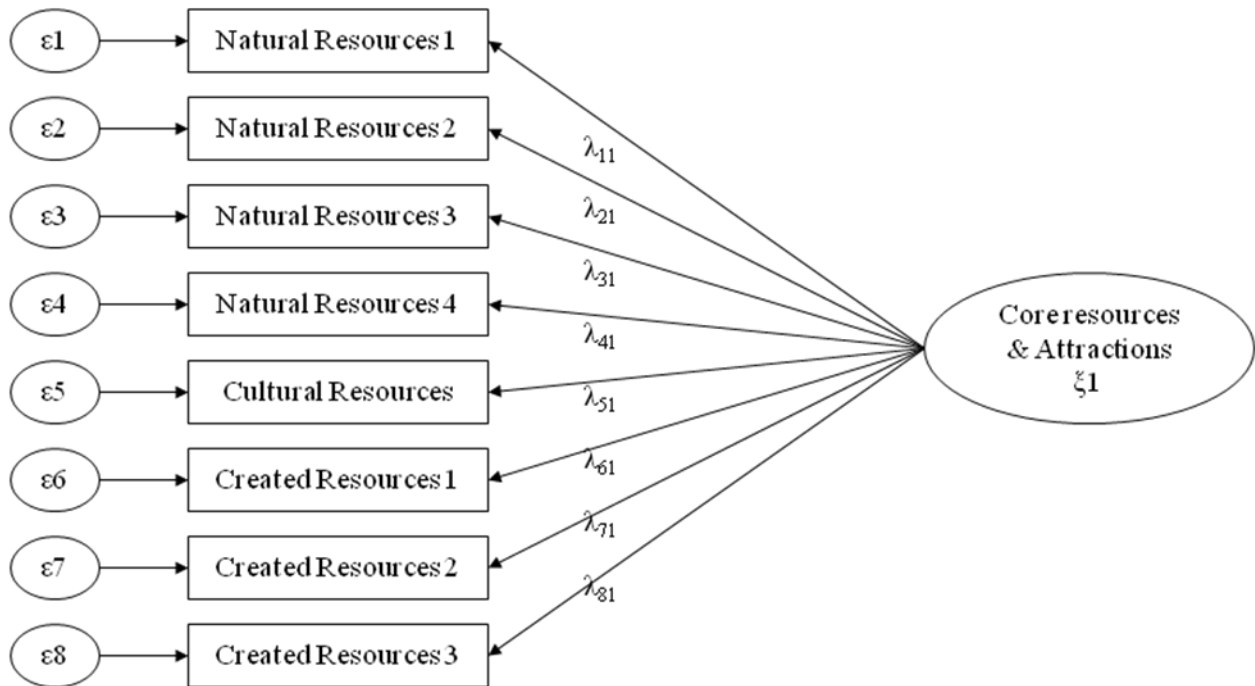
Figure 3.2. Hypothesized measurement model of core resources and attractions

3.3.1.2 Measurement of complementary conditions.

Complementary conditions are defined as a determinant that adds value to core resources

and attractions and includes tourism infrastructure and supporting factors. Tourism infrastructure

mostly represents a number of aspects which are directly consumed by tourists as necessary

items during their visits. When the satisfaction of this factor meets tourists' expectations it

contributes to enhancing the competitiveness of a destination. These items are comprised of accommodations, food services, and other resources which many view as a private sector component of the tourism industry (Crouch & Ritchie, 1999). Unlike developed countries, most developing countries usually are unable to provide a uniformly high quality of services fitting to international standards, and such conditions make tourists hesitate in choosing developing or less-developed destinations. If developing countries can provide a guaranteed quality for their services, this would translate into a powerful competitive advantage for that tourism destination (Dunning & McQueen, 1982). The World Economic Forum (2011) takes into account the accommodation infrastructure, the presence of major car rental companies in the country, and a measure of its financial infrastructure for tourists and calculates the tourism infrastructure score of each country. This study uses this score as one variable of complementary conditions.

Supporting factors include general infrastructure (e.g. Bahar & Kozak, 2007; Crouch & Ritchie, 1999; Ritchie & Crouch, 2003; Dwyer & Kim, 2003; Enright & Newton, 2005; Gooroochurn & Sugiyarto, 2005), destination accessibility, hospitality, market ties (Crouch & Ritchie, 1999; Ritchie & Crouch, 2003; Dwyer & Kim, 2003), and technology and innovation (Bordas, 1994; Gooroochurn & Sugiyarto, 2005; Heath, 2003). According to RC's model and DK's model, general infrastructure includes road networks, airports, train systems, bus systems, water supply, telecommunications, financial services, and etc. Accessibility refers to elements that affect destination choice beyond physical facilities such as regulation of the airline industry; route connections; the frequency, ease, and quality of automobile, air, bus, train, and sea access; and entry visas and permits. Hospitality relates to the perception of a destination such as the perceived friendliness of the local residents and community attitudes towards tourists. Market

ties consist of several dimensions along which a destination establishes and builds linkages with

the residents of origin regions (Crouch & Ritchie, 1999).

Table 3.3 Measurement of Complementary Conditions

Variables	Measurement*
1. Tourism infrastructure	The TTCI score of tourism infrastructure combining three indicators: number of hotel rooms per 100 people (2009), the presence of seven major car rental companies (2010), and number of automated teller machines (ATMs) accepting Visa credit cards per million people (2010)
2. Air infrastructure	The TTCI score of air transport infrastructure combining seven indicators: quality of air transport infrastructure, an airline's passenger-carrying capacity (domestic and international), number of departures per 1,000 population, airport density, number of operating airlines, and international air transport network
3. Ground infrastructure	The TTCI score of ground transport infrastructure combining five indicators: quality of roads, quality of railroad infrastructure, quality of port infrastructure, quality of ground transport network, and road density
4. ICT infrastructure	The TTCI score of ICT infrastructure combining five indicators: extent of business internet use, internet users, telephone lines, broadband internet subscribers, and mobile telephone subscribers
5. Hospitality	Attitude of population towards foreign visitors measured by "How welcome are foreign visitors in your country?" [1 = very unwelcome; 7 = very welcome] (2009–10 weighted average)
6. Accessibility	Number of countries whose citizens are exempt from obtaining a visa (= 1) or able to obtain one upon arrival (= 0.5) out of all UN countries (2010)

Notes: Details of measurement scale and data sources are presented in the 2011 Travel and
Tourism Competitiveness Report.

To measure supporting factors, five variables from the 2011 TTCI are included in this study: air

transport infrastructure, ground transport infrastructure, information, communication and

technologies (ICT) infrastructure, hospitality, and accessibility. Table 3.3 provides measurement

details of complementary conditions and Figure 3.3 shows the measurement model of complementary conditions.
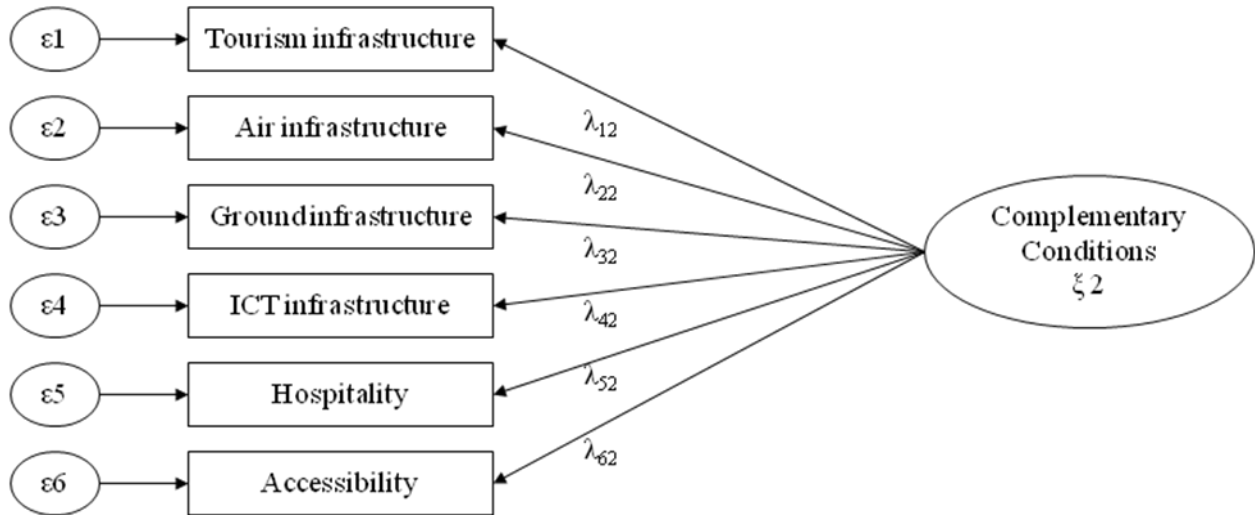
Figure 3.3. Hypothesized measurement model of complementary conditions

3.3.1.3 Measurement of destination management.

Destination management is defined as the activities that can enhance the appeal of the core resources and attractions, strengthen the quality and effectiveness of the complementary conditions, and best adapt to the constraints imposed by the uncontrollable external conditions such as destination location, safety, and crisis. This factor mainly includes the activities of DMOs which focus on the marketing of the destination, destination planning and development, the service dimension, human resource management, and environment management (Dwyer & Kim, 2003; Enright & Newton, 2004, 2005; Go & Govers, 2000; Heath, 2003; Kozak & Rimmington, 1999; Yoon, 2002).

Destination marketing is a key factor in creating and maintaining a destination image and to enhance awareness and perception of the destination. Hence marketing activities influence the decision making process of potential tourists. Tourism marketing is characterized by complex and coordinating actions among the core attractions, transportation networks, hospitality services, and information to help tourists (Uysal, Chen, & Williams, 2000). Human resource management is critical to the performance of any organization (Dwyer & Kim, 2003) and hence becomes an important indicator of competitiveness in tourism. The quality of the labor force indicates the likelihood of providing better-quality tourism services (Gooroochurn & Sugiyarto, 2005) and the skills and techniques of employees' organizational knowledge can play an important role in sustaining a firm's competitive edge. To enhance a tourism destination's labor forces, both education in tourism and hospitality for potential employees and training of workers are equally important. Many tourism destinations in developing economies have faced the lack of skilled labor and expertise and the sub-standard provision of an effective educational system.

The environmental issues such as climate, scenery, ambience, and friendliness are more critical in the tourism industry than in many others (Heath, 2003; Mihalič, 2000). For example, in nature-based tourism, a superior condition of the environment per se gives a destination a competitive edge and the quality of the environment determines tourism demand and a destination's competitiveness (Huybers & Bennett, 2003). As the general management literature has recognized, a firm's environmental interest and performance in this area is linked to its economic performance (Porter & Van der Linde, 1995). This relationship may be more intimate in the tourism industry because the environmental quality is critically related to consumer perceptions of the quality of the product purchased and influences the buying decisions of the potential tourists (Dwyer & Kim, 2003).

Table 3.4 Measurement of Destination Management

Variables	Measurement*
1. Destination marketing, planning & development	The TTCI score of prioritization combining five variables related to destination marketing and branding, the availability of the travel and tourism data, and government prioritization of the travel and tourism industry
2. Human resources 1	Quality of the educational system: How well does the educational system in your country meet the needs of a competitive economy? [1 = not well at all; 7 = very well] (2009–10 weighted average)
3. Human resources 2	Local availability of specialized research and training services: In your country, to what extent are high-quality, specialized training services available? [1 = not available; 7 = widely available] (2009–10 weighted average)
4. Human resources 3	Extent of staff training: To what extent do companies in your country invest in training and employee development? [1 = hardly at all; 7 = to a great extent] (2009–10 weighted average)
5. Environmental management 1	Sustainability of T&T development: How would you assess the effectiveness of your government's efforts to ensure that the T&T sector is being developed in a sustainable way? [1 =very ineffective; 7 = very effective] (2009–10 weighted average)
6. Environmental management 2	Carbon dioxide emissions per capita in metric tons (2007)
7. Environmental management 3	Total number of ratified environmental treaties (2010)

Notes: Details of measurement scale and data sources are presented in the 2011 Travel and Tourism Competitiveness Report.

This study measures destination management conditions by using prioritization which represents the extent of destination marketing, destination planning and development (one variable), human resource management (three variables), and environmental management (three variables) from the TTCI. Details are provided in Table 3.4 and Figure 3.4 shows the measurement model of destination management.
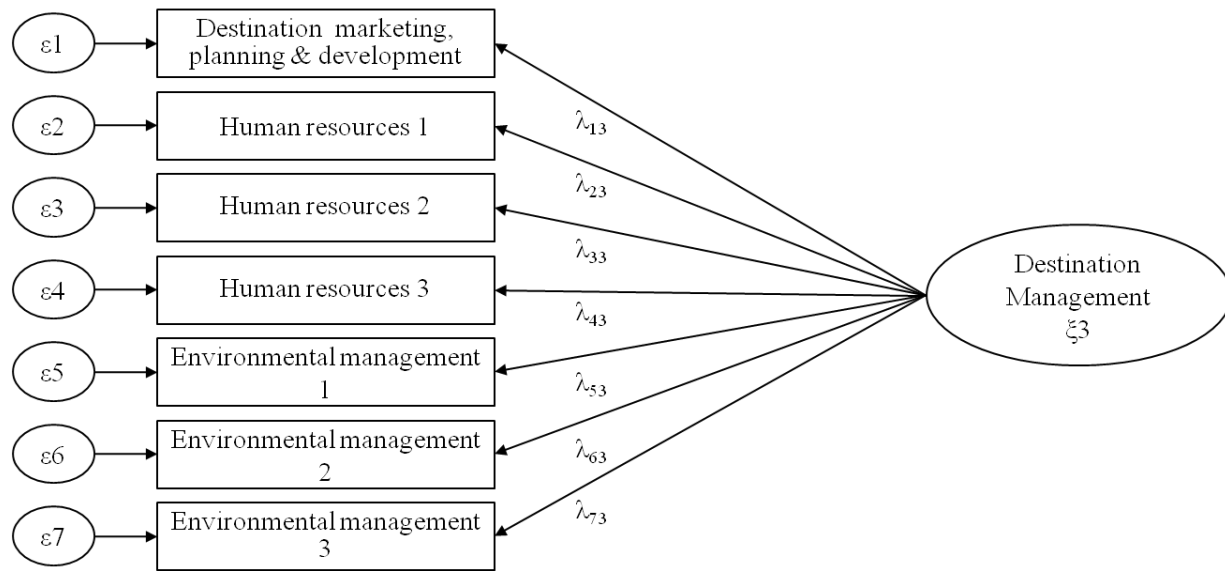
Figure 3.4. Hypothesized measurement model of destination management

3.3.1.4 Measurement of demand conditions.

Demand conditions are defined as the nature of destination-market demand for the tourism products and services, which influences travel decisions in domestic and international tourism, and it is represented by price competitiveness, domestic condition, and preference for tourism destinations. Demand conditions in tourism competitiveness are inevitable (Bordas, 1994; Dwyer & Kim, 2003; Go & Govers, 2000) and include both supply-side and demand-side aspects. Porter (1998b, 1998c) emphasized demand conditions (especially domestic demand), as sophisticated and solid demand in a domestic context can afford tourism destinations the ability to rapidly respond to the changing of domestic and international needs. The nature and structure of a nation's tourism industry highly depends on domestic tourism (Dwyer & Kim, 2003). As domestic demand increases, companies strive to innovate and improve products and services that in turn may attract the interest of investment from TNCs. Furthermore, international tourism

demand is very vulnerable to external factors such as economic crisis, terrorism, and illnesses

such as SARS (severe acute respiratory syndrome). Such crises directly threaten the actual

number of international tourist arrivals to a destination. The steady and sound domestic demand

can alleviate some of the risk associated with losing substantial revenue.

Table 3.5 Measurement of Demand Conditions

Variables	Measurement*
1. Price competitiveness 1	Index of relative cost of access (ticket taxes and airport charges) to international air transport services [0 = highest cost, 100 = lowest cost] (2010)
2. Price competitiveness 2*	Ratio of purchasing power parity (PPP) conversion factor to official exchange rate (2009)
3. Price competitiveness 3	Extent and effect of taxation: What impact does the level of taxes in your country have on incentives to work or invest? [1 = significantly limits incentives to work or invest; 7 = has no impact on incentives to work or invest] (2009–10 weighted average)
4. Price competitiveness 4	Retail diesel fuel prices (US cents per liter) (2008)
5. Price competitiveness 5	Average room rates calculated for first-class branded hotels for calendar year, in US dollars (2009)
6. Demand condition 1	Tourism expenditure (outbound visitors) and receipts (inbound visitors) as a percentage of GDP (2009)
7. Demand condition 2	Extension of business trips recommended: When senior executives visit your country for the first time for business purposes, how likely are you to recommend extending their trip for leisure purposes? [1 = very unlikely; 7 = very likely] (2009–10 weighted average)

Notes: 1. Details of measurement scale and data sources are presented in the 2011 Travel and
Tourism Competitiveness Report.
2. * Indicates that this variable used reverse coding.

While much of the competitiveness literature focuses on supply-side factors which are

regarded as pull factors of tourist motivation, Dwyer and Kim (2003) highlight that push factors

of tourist motivation in the selection of a destination are as vital as demand-side factors. They

suggest that push factors determine a destination's competitiveness from the tourist viewpoint. The push factor is that which influences people to travel and arises within the individual and from the individual's social context (Dwyer & Kim, 2003). The factor includes three elements: demand-awareness, perception, and preferences (Dwyer & Kim, 2003). Awareness refers to the state or image that enables tourists to create a "feel" for a destination and its specific products or services, and it can be generated by various means, including destination marketing activities. The state or image projected by a destination can influence the perceptions of a destination and thus affect whether a tourist chooses to visit. Positive images and perceptions of a destination can influence one's willingness to visit. To represent demand conditions, this study includes five price competitiveness indicators and two indicators from affinity indices for the travel and tourism industry from the TTCI (Details in Table 3.5). Figure 3.5 displays the measurement model of demand conditions.
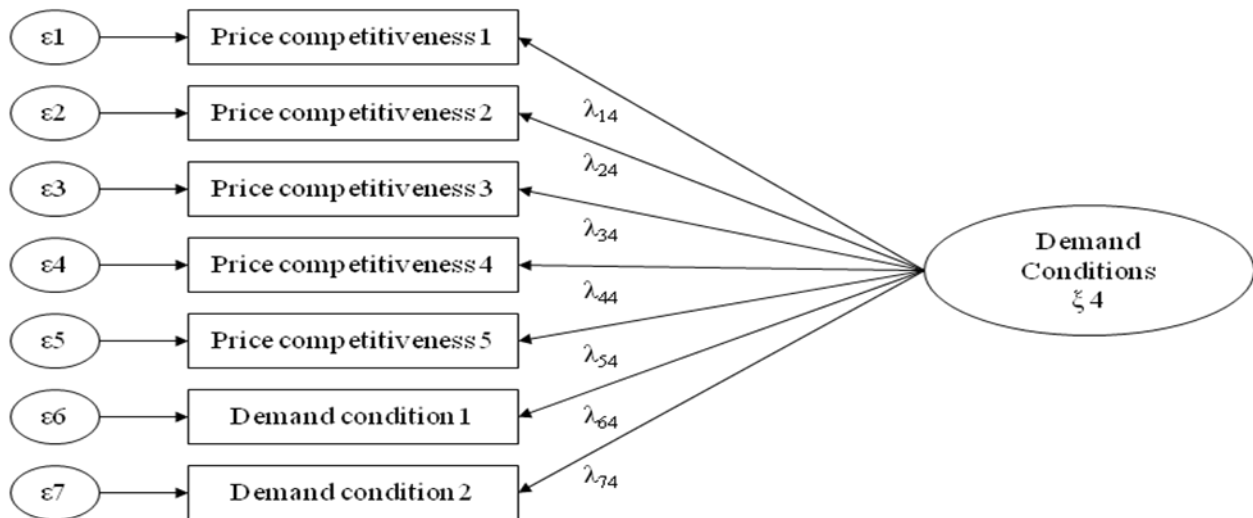
Figure 3.5. Hypothesized measurement model of demand conditions

3.3.2. Measurement of globalization.

In this study, I propose that globalization is an exogenous construct that directly affects tourism competitiveness. Globalization is defined as the extent to which a destination opens its service sectors to the world and attracts foreign capital from outside. The pressures on developing countries to open service sectors have continued to mount under the arguments that the General Agreement on Trade in Services (GATS) stimulates economic activity through guaranteed policy binding among all participants and promotes trade and development through progressive liberalization. However, it also intensifies international competition. If a small economy is not well prepared to compete with other countries, especially those with advanced economies, the impact of globalization will be great and will weaken the developing country's competitiveness. Aside from openness, the increasing globalization of the world economy is characterized by the role of multinational enterprises (MNEs). Economic globalization can be assessed by both FDI flows and the activities of MNEs which provide measures such as turnover (sales), employment, and value added that reflect the overall operations of MNEs (OECD, 2005). However, it is difficult to obtain national data of the activities of MNEs in all the countries included in this study. Therefore, this study measures globalization by the inflow of FDI, openness of bilateral air service agreements, and the GATS commitments restrictiveness index of travel and tourism services (Table 3.6) and the measurement model of globalization is shown in Figure 3.6. The inflows of FDI are measured by the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is "the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital, expressed as a percentage of GDP" (UNDP, 2010).

Table 3.6 Measurement of Globalization

Variables	Measurement
1. Globalization 1	The net inflow of FDI, US dollars at current prices and current exchange rates in millions (UNDP, 2010)
2. Globalization 2	Openness index of all bilateral air service agreements (2005)
3. Globalization 3	GATS commitments restrictiveness index of Travel & Tourism services [0–100 range, where the most liberal countries can potentially score as high as 100] (2006-2009)
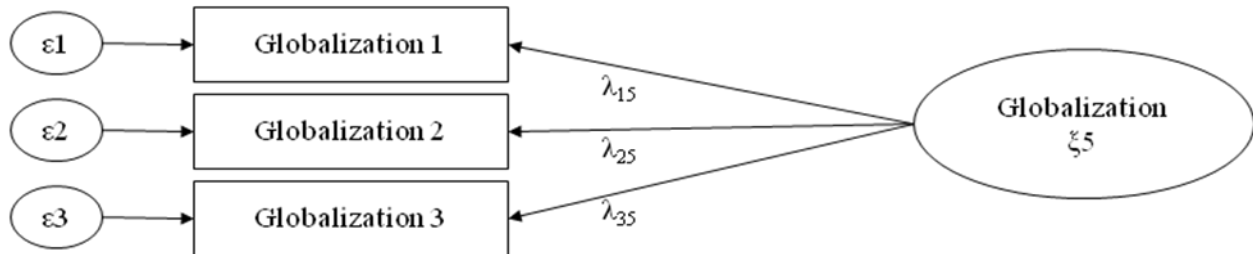
Figure 3.6. Hypothesized measurement model of globalization

3.3.3. Tourism destination competitiveness.

There is no universally accepted way to define and measure destination competitiveness and most studies consider it as tourism performance or success in tourism management. One approach suggested by Ritchie and Crouch (2003) is that tourism destination competitiveness is conceptually defined as a "[destination's] ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying, memorable experiences, and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations" (p. 2). To make the conceptual definition quantifiable and measureable, this study defines tourism destination competitiveness as the

relative productivity of a tourism destination in the process of producing and delivering tourism products and services for maintaining and/or increasing a national or/and international market share in an efficient way.

In the empirical studies, there are a variety of indicators including: (1) the number of visitors and tourism receipts (e.g., Patsouratis, Frangouli, & Anastasopoulos, 2005); (2) efficiency (e.g., Cracolici & Nijkamp, 2006; Cracolici, Nijkamp & Rietveld, 2008); (3) market share (e.g., Bobirca & Cristureanu, 2008; Craigwell & Worrell, 2008; Gooroochurn & Sugiyarto, 2005; Mazanec, Wöber & Zins, 2007); (4) the growth rate of spending per arrivals (e.g., Croes, 2010); (5) visitor satisfaction (e.g., Bahar & Kozak, 2007; Kozak, Baloğ lu & Bahar, 2010); (6) TTCI score (e.g., Das & DiRienzo, 2009; Kayar & Kozak, 2010); and (7) the share of real tourist receipts of the real gross domestic product (GDP) (Croes & Rivera, 2010).

Table 3.7 Measurement of Tourism Destination Competitiveness (TDC)

Variables	Measurement
TDC 1	Market share based on arrivals in a destination among 139 countries
TDC 2	Market share based on tourism receipts in a destination among 139 countries
TDC 3	Tourism spending per arrival in a destination (US$)

Crouch (2011) indicates the problem of measuring "Tourism Competitiveness" by quantitative data like the number of arrivals or tourism expenditures because these variables only indicate the tourism demand perspective. Mazanec, Wöber and Zins (2007) attempt to measure destination competitiveness dimensions as a latent construct and include three variables: market share based on international arrivals, tourism growth, and distance-weighted market share. They

suggest that market share based on international arrivals better represents tourism

competitiveness. Therefore, this study employs three variables: tourism volume-based market

share of a destination among 139 countries, tourism receipts-based market share of a destination

among 139 countries, and tourism spending per arrival. Details are included in Table 3.7 and the

measurement model of TDC is shown in Figure 3.7.
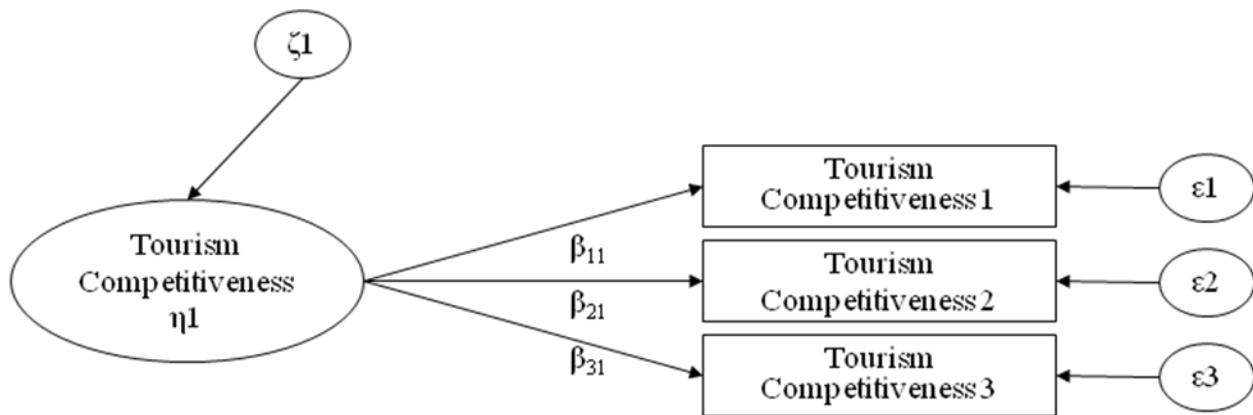
Figure 3.7. Hypothesized measurement model of tourism destination competitiveness

3.3.4. Socioeconomic prosperity.

Socioeconomic prosperity is defined as social 'welfare' or 'well being' which includes

economic prosperity as well as the quality of life of residents in a destination. To measure

socioeconomic prosperity, the Human Development Index (HDI) is widely used even though

there is ongoing debate on the development of indicators among sociologists (Dwyer & Kim,

2003). "The Human Development Index (HDI) is a summary measure of human development. It

measures the average achievements in a country in three basic dimensions of human

development: a long and healthy life, access to knowledge and a decent standard of living. The

HDI is the geometric mean of normalized indices measuring achievements in each dimension"

(UNDP, 2010). HDI is estimated from the Life expectancy index, Education index, and GNI (Gross national income) index (for more details, refer to the Human Development Report (UNDP, 2010)). This study utilizes the HDI as a proxy for socioeconomic prosperity of a destination.

3.3.5. Economic development.

In this study, I propose the stage of economic development as a moderating factor which influences the impact of all exogenous constructs on TDC and the impact of TDC on socioeconomic prosperity. Economic development is defined as the stage of economic development referring to the extent of Gross National Income (GNI) per capita in a destination. There is some debate on the causal relationship between economic development (usually referred to as economic growth measured by GDP or GDP per capita) and tourism growth (e.g., Balaguer & Cantavella-Jordá, 2002; Durbarry, 2004; Kim, Chen & Jang, 2006; Oh, 2005). Nevertheless, there is a possibility that a causal relationship between economic development and tourism can be argued (Oh, 2005). From a competitiveness perspective, if a nation has competitive advantage in a certain industry, it is because a nation is able to support that industry with relevant infrastructure and sound domestic business environments. However, if a nation does not have sufficient provision to support that industry because of the low level of economic development, competitiveness could not be achieved.

Porter, Sachs, and McArthur (2001) suggest that the factors that contribute to global competitiveness and hence improve the quality of life of residents in a given country will differ for countries at different levels of development. Therefore, I suggest a moderating effect of economic development on the impact of the four determinants and TDC; and I compare the

structural relationship of TDC between different groups according to a country's economic development. I measure the stage of economic development of all 139 countries using a categorical variable based on the classification of countries by the World Bank (2011). The World Bank classifies 215 economies in the world into four groups based on Gross National Income (GNI) per capita, calculated using the World Bank Atlas method. The four groups are: low-income economies ($1,005 or less); lower-middle-income economies ($1,006 - $3,975); upper-middle-income economies ($3,976 - $12,275); and high-income economies ($12,276 or more). In this study, I divide 139 countries into two groups: low-level-income countries (less than $3,975) combining low-income and lower-middle-income economies, and high-level-income countries (more than $3,976) combining upper-middle-income and high-income economies. The purpose of using two groups is two-fold: One of the purposes of this study is to investigate the impact of globalization on developing countries and less developed countries. I assume that low-income countries are more vulnerable to globalization than advanced or some developing countries that have relatively high-income. The second purpose is of a more technical nature: it is for balancing the sample size between two groups in order to obtain rather stable statistical results. Since the model has many observed variables and latent constructs, too small a sample size would not guarantee robust PLS path modeling estimations.

3.4 Statistical Method for the Hypotheses Tests

To test the four sets of hypotheses of the structural model this study employed the Structural Equation Modeling (SEM) with latent variable. There are "two families of SEM techniques: Covariance-based techniques, as represented by LISREL, and variance-based techniques, of which partial least squares (PLS) path modeling is the most prominent

representative" (Henseler, Ringle, & Sinkovics, 2009, p. 277). The PLS path modeling has been gaining attention among the various disciplines of social science such as strategic management (e.g., Hulland, 199), international marketing (e.g., Henseler et al., 2009), and management information systems (e.g., Chin & Dibbern, 2010; Dibbern, Goles, Hirschheim, & jayatilaka, 2004). This approach is relatively new in tourism literature. Recently, one study (Mazanec & Ring, 2011) employed the PLS path modeling in a study on tourism destination competitiveness and showed the advantages of this approach. According to the results of simulation studies (e.g., Reinartz, Haenlein, & Henseler, 2009), PLS analysis should be preferred over covariance-based SEM (CBSEM) when the sample size is small (less than 250) and the purpose of the research is theory development. The strength of PLS path modeling is that it is suitable for prediction-oriented research and recommended in the early stage of theoretical development. PLS path modeling can avoid high demands on data properties (normal distribution) and sample size problems in CBSEM.

The proposed model in this study was designed to empirically explore the relevance of conceptual frameworks previously proposed through testing the structural relationship among unobserved constructs which are built on relevant theories and prior research. This study employed PLS path modeling because 1) the theoretical underpinnings of TDC are rather weak and now developing; 2) the empirical research on both the index development of TDC and the structural relationship is relatively little; 3) the sample size of countries is small (139) and 4) the assumption of normal distribution of variables is not likely to be satisfied for all variables. The SmartPLS 2.0 software is applied for estimating all parameters (outer and inner weights, loadings and path coefficients) and the significance of each parameter of the proposed structural equation model.

3.4.1. PLS path modeling.

A PLS path model is described by two models: (1) a measurement model (outer model) relating MVs (Manifest Variables or observed variables) to their own LV (Latent Variable) and (2) a structural model (inner model) relating some endogenous LVs to other LVs (Tenenhaus, Esposito Vinzi, Chatelin, & Lauro, 2005). The measurement model has two kinds of models: reflective and formative measurement models. This study used the reflective model which has causal relationships from the latent variable to the manifest variables in its block because each manifest variable is assumed to be affected by its common latent variable. The reflective model can be written as:

$$X_\chi = \Lambda_\chi \xi + \varepsilon_\chi$$

where X is manifest variables, Λ denotes the loading coefficients, and ξ is the vector of latent variables, and ε represents the residual.

The structural model for relationships between LVs can be written as:

$$\eta = B\xi + \zeta$$

where η is endogenous variables, B denotes the matrix of coefficients of their relationships, ξ is the vector of latent variables, and ζ represents the structural model residuals.

3.4.2. Evaluation of PLS path model.

Although PLS path modeling does not have global goodness-of-fit criterion, according to Chin (1998) the PLS path model should be assessed by a two-step process encompassing (1) the assessment of the measurement model (outer model) and the assessment of the structural model (inner model). First, reflective measurement models were evaluated with regard to their

reliability and validity and the criteria suggested by Henseler et al. (2009) were employed, including the composite reliability, indicator reliability, average variance extracted (AVE), and cross-loadings as listed in Table 3.8. If a reliable and valid reflective measurement of latent variables did not meet all the criteria, the path model was revised by deleting single indicators from the measurement model. The significance tests for factor loadings were conducted using the bootstrapping procedure with 1,000 resamples (Chin & Dibbern, 2010; Henseler et al., 2009).

Table 3.8 Evaluation of Reflective Measurement Model

Criteria	Description
Composite reliability (ρ_c)	$\rho_c = (\Sigma\lambda_i)^2/[((\Sigma\lambda_i)^2 + \Sigma Var(\varepsilon_i)]$, where λ_i is the outer (component) loading to an indicator, and $Var(\varepsilon_i)=1- \lambda_i^2$ in case of standardized indicators. The composite reliability is a measure of internal consistency and must not be lower than 0.6.
Indicator reliability	Absolute standardized outer (component) loadings should be higher than 0.7.
Average variance extracted (AVE)	AVE = $(\Sigma\lambda_i^2)/[\Sigma\lambda_i^2 + \Sigma Var(\varepsilon_i)]$, where λ_i is the component loading to an indicator and $Var(\varepsilon_i)=1- \lambda_i^2$ in case of standardized indicators. The average variance extracted should be higher than 0.5.
Cross-loadings	Cross-loadings offer another check for discriminant validity. If an indicator has a higher correlation with another latent variable than with its respective latent variable, the appropriateness of the model should be reconsidered.

Source: Henseler et al. (2009, p. 300)

Reliable and valid measurement model estimations allow for evaluation of the structural model (inner model) estimates. After path coefficients and inner weights are calculated, the significance of each estimate was tested based on bootstrapping procedures using 1,000 resamples (Chine & Dibbern, 2010; Henseler et al., 2009). The path model was assessed by three criteria suggested by Chin (1998), which include R^2 of endogenous latent variables, estimates for path coefficients, and Stone-Geisser's Q^2 (see Henseler et al., 2009). Table 3.9 lists and describes these criteria. Stone-Geisser's Q^2 is a predominant measure of the structural model's capability to predict and it can be measured using blindfolding procedures in PLS analysis (Henseler et al., 2009).

Table 3.9 Evaluation of Structural Model

Criterion	Description
R^2 of endogenous latent variables	R^2 values of 0.67, 0.33, or 0.19 for endogenous latent variables in the inner model are described as substantial, moderate, or weak by Chin (1998, p.323)
Estimates for path coefficients	The estimated values for path relationships in the structural model should be evaluated in terms of sign, magnitude, and significance (the latter via bootstrapping)
Stone-Geisser's Q^2	The Q^2 is calculated based on the blindfolding procedure: $Q^2 = 1-(\Sigma_D SSE_D)/(\Sigma_D SSO_D)$. D is the omission distance, SSE is the sum of squares of prediction errors, and SSO is the sum of squares of observations. Q^2-values above zero give evidence that the observed values are well reconstructed and that the model has predictive relevance (Q2-values below zero indicate a lack of predictive relevance).

For model validation, communality and redundancy should be evaluated. The communality index measures the quality of the measurement model for each construct, and the redundancy index measures the quality of the structural model for each endogenous construct, taking into account the measurement model (Tenenhaus et al., 2005). Although PLS path modeling does not provide any global scalar function in CBSEM, a global criterion of goodness-of-fit (GoF) has been proposed based on communality of the measurement model and R^2 of the structural model, and it is used as an index for validating the PLS model (Tenenhaus et al., 2005).

$$GoF = \sqrt{Average\ of\ communality \times Average\ of\ R^2}$$

The baseline values for validating the PLS path model were GoF_{small}=0.1, GoF_{medium}=0.25, and GoF_{large}=0.36. If a GoF value of the path model exceeds a cut-off value of 0.36 for large effect sizes of R^2, it can be concluded that the path model performs well.

3.4.3. PLS path modeling in multiple groups.

One approach to the analysis of moderating effects in PLS path models is multiple group analysis (MGA). PLS-based MGA is especially useful for discrete moderator variables (Eberl, 2010, p. 496). To identify the moderating effect of economic development, this study divided samples into two groups of countries classified by their economic status. The same PLS path model can then be estimated in each of the distinct subsamples. The comparison between the path estimators across two subsamples is tested for significance with pare-wise t-tests (Chin, 2000). This approach uses "the re-sampling estimates for the standard errors of the structural paths in two samples under consideration gained from the bootstrapping procedure usually used

for model evaluation" (Eberl, 2010). The test statistic proposed by Chin (2000) is computed as follows:

$$t = \frac{Path_{sample1} - Path_{sample2}}{\sqrt{\frac{(m-1)^2}{(m+n-2)} \times s.e._{sample1}^2 + \frac{(n-1)^2}{(m+n-2)} \times s.e._{sample2}^2} \times \sqrt{\frac{1}{m} + \frac{1}{n}}} \sim t_{m+n-2}$$

where

$Path_{sample1/2}$: original sample estimate for the path coefficient in both subsamples

respectively

m: number of cases in sample 1

n: number of cases in sample 2

$s.e._{sample1/2}$: standard error of the path coefficient in both subsamples respectively (gained

from the re-sampling procedure (bootstrapping) implemented in PLS)

The statistic is asymptotically t-distributed with m+n-2 degree of freedom.

CHAPTER IV. ANALYSIS AND RESULTS

This chapter describes preliminary data analysis and the findings of the statistical tests. Before the preliminary analysis, the date profile is collected and presented. When individual variables have missing values the treatment of missing values is described and then the descriptive characteristics of measurement scales are presented. The preliminary analysis was conducted to test the normality of data collected, including skewness and kurtosis, and then extreme cases in which skewness and kurtosis were transformed. Next, the reliability and validity of measurement scales are examined and reported. Finally, the results of the hypotheses tests are presented and interpreted.

4.1 Data Profile

All 139 countries/economies were mainly investigated according to geographical distribution, income level based on GNI, tourism performance, and economic globalization and these results are reported in Table 4.1 through Table 4.6 and Figure 4.1. Table 4.1 lists all countries/economies by regions and income level.

As shown in Table 4.2, forty-four countries (31.7%) from Europe and 33 countries (23.7%) from Asia and 33 countries (23.7%) from Africa were included in the data set. Fourteen countries from North America (10.1%), 11 countries from South America (7.9%), and four countries from Oceania (2.9%) were included. Countries/economies are classified by Gross National Income per capita. High-income economies have more than $12,276 GNI per capita and upper-middle-income economies are between $3,976 and $12,275 of GNI per capita. The GNI of lower-middle-income economies ranges from $1,006 to $3,975 and lower-income economies represent less than $1,005 GNI per capita.

Table 4.1 List of Countries/Economies by Region and Income Level

	Africa (33)	Asia(33)	Europe (44)	North America (14)	Oceania (4)	South America (11)
High-income (47)	(0)	Bahrain, Brunei Darussalam, Hong Kong, Japan, Korea, Kuwait, Oman, Qatar, Saudi Arabia, Singapore, Taiwan, United Arab Emirates (12)	Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom (28)	Barbados, Canada, Puerto Rico, Trinidad and Tobago, United States (5)	Australia, New Zealand (2)	(0)
Upper-middle-income (39)	Algeria, Botswana, Libya, Namibia, South Africa, Tunisia (6)	China, Iran, Jordan, Kazakhstan, Lebanon, Malaysia, Thailand (7)	Albania, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Latvia, Lithuania, Macedonia, Montenegro, Romania, Russian, Serbia, Turkey (12)	Costa Rica, Dominican Republic, Jamaica, Mexico, Panama (5)	Mauritius (1)	Argentina Brazil, Chile, Colombia, Ecuador, Peru, Uruguay Venezuela (8)
Lower-middle-income (33)	Angola, Cameroon, Cape Verde, Côte d'lvoire, Egypt, Ghana, Lesotho, Mauritania, Morocco, Nigeria, Senegal, Swaziland, Zambia (13)	India, Indonesia, Mongolia, Pakistan, Philippines, Sri Lanka, Syria, Timor-Leste, Vietnam (9)	Armenia, Georgia, Moldova, Ukraine (4)	El Salvador, Guatemala, Honduras, Nicaragua (4)	(0)	Bolivia, Guyana, Paraguay (3)
Low-income (20)	Benin, Burkina, Burundi, Chad, Ethiopia, Gambia, Kenya, Malawi, Mali, Mozambique, Rwanda, Tanzania, Uganda, Zimbabwe (14)	Bangladesh, Cambodia, Kyrgyz Republic, Nepal, Tajikistan (5)	(0)	(0)	Madagascar (1)	(0)

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Almost 60% of high-income economies are in Europe, while none of the African and South American economies are included in this income level group. Most low-income economies are in Africa (70%) and Asia (25%). Figure 4.1 shows the geographical distribution of countries according to income level.

Table 4.2 Geographical Distribution of Countries/Economies by Income Level

Regions	High-income		Upper-middle income		Lower-middle income		Low-income		Total
	N		N		N		N		
	Row N %	Column N %	Row N %	Column N %	Row N %	Column N %	Row N %	Column N %	Total Row
Africa	0		6		13		14		33
	0.0	0.0	18.2	15.4	39.4	39.4	42.4	70.0	(23.7%)
Asia	12		7		9		5		33
	36.4	25.5	21.2	17.9	27.3	27.3	15.2	25.0	(23.7%)
Europe	28		12		4		0		44
	63.6	59.6	27.3	30.8	9.1	12.1	0.0	0.0	(31.7%)
North America	5		5		4		0		14
	35.7	10.6	35.7	12.8	28.6	12.1	0.0	0.0	(10.1%)
Oceania	2		1		0		1		4
	50.0	4.3	25.0	2.6	0.0	0.0	25.0	5.0	(2.9%)
South America	0		8		3		0		11
	0.0	0.0	72.7	20.5	27.3	9.1	0.0	0.0	(7.9%)
Total Column	47(33.8%)		39(28.1%)		33(23.7%)		20(14.4%)		139
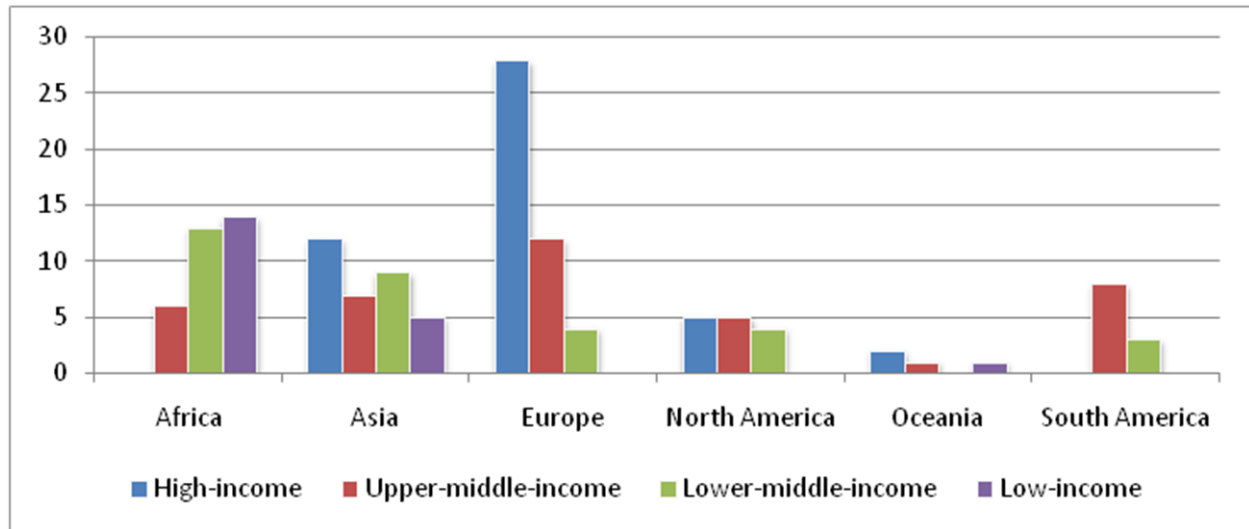
Figure 4.1. Geographical distribution of countries by income level

Tourism performance as measured by international tourist arrivals and tourism receipts are reported in Table 4.3. Total international tourist arrivals of the 139 countries were about 847 million in 2009 and total tourism receipts were over 811 billion US dollars in 2009. Europe has the majority of worldwide market share in terms of both arrivals (53.4%) and receipts (50.4%). While Oceania economies have the least market share of arrivals (1.1%), they hold 3.9% of worldwide market share in terms of tourism receipts due to the contribution of Australia (81.1% of total receipts of Oceania).

Table 4.3 Tourism Performance by Regions and Income Groups

Classification	Tourist Arrivals (thousands)			Tourism Receipts (millions)		
	Mean	Sum	%	Mean	Sum	%
Regions (Total)	-	846,847.2	100%	-	811,787.4	100%
Africa	1,660.12	54,784	6.5%	1,117.02	36,861.8	4.5%
Asia	6,064.05	200,114	23.6%	5,484.07	180,974.3	22.3%
Europe	10,273.85	452,050	53.4%	9,295.00	408,980.1	50.4%
North America	7,843.42	109,808	13.0%	9,660.62	135,248.7	16.7%
Oceania	2,269.13	9,077	1.1%	7,893.98	31,575.9	3.9%
South America	1,910.53	21,016	2.5%	1,649.69	18,146.6	2.2%
Income level (Total)	-	846,847.2	100%	-	811,787.4	100%
High-income	11,100.84	521,740	61.6%	12,198.24	573,317.3	70.6%
Upper-middle-income	5,869.75	228,920	27.0%	4,530.73	176,698.6	21.8%
Lower-middle-income	2,446.79	80,744	9.5%	1,661.86	54,841.5	6.8%
Low-income	772.16	15,443	1.8%	346.50	6,930.0	0.9%

Table 4.4 lists the top five and bottom five countries in terms of tourism volume and receipts. The top country regarding arrivals was France followed by the United States, Spain, China, and Italy, while the top country regarding tourism receipts was the United States followed by Spain, France, Italy, and China in 2009. The United States shows higher performance compared to other countries. According to the World Economic Forum, the competitiveness of the travel and tourism industry shows different results. The Travel and Tourism Competitiveness Index (TTCI) is measured by multifaceted indicators so that it reflects the ability of tourism destinations to attract and satisfy tourists. While China and Italy are ranked at lower than 20th in the TTCI, their performances with regard to tourism volume and receipts show high rankings, 4th

and 5th respectively. On the other hand, although Tajikistan in Asia is ranked last on the list regarding tourism volume, the competitiveness of Tajikistan was ranked at 118 out of 139.

Table 4.4 Ranks of Countries by International Tourist Arrivals and Tourism Receipts

Rank	International Tourist Arrivals (2009)		Tourism Receipts (2009)	
	Top 5 countries/economies	Bottom 5 countries/economies	Top 5 countries/economies	Bottom 5 countries/economies
1	France (3)	Tajikistan (118)	United States (6)	Burundi (137)
2	United States (6)	Moldova (99)	Spain (8)	Tajikistan (118)
3	Spain (8)	Chad (139)	France (3)	Timor-Leste (134)
4	China (39)	Timor-Leste (134)	Italy (27)	Chad (139)
5	Italy (27)	Mauritania (136)	China (39)	Mauritania (136)

Notes: Parenthesis represents the ranking in the 2011Travel & Tourism Competitiveness Index

Foreign Direct Investment (FDI) is a major indicator of economic globalization and is considered a catalyst to development (OECD, 2002, 2010). It is recognized that FDI in developing and less-developed countries is a vital contribution to increasing economic growth. However, most flows of FDI are from advanced countries to advanced countries. In 2010, net global FDI inflows were over 18 million dollars and almost 80% of inflows were into high-income economies.

Table 4.5 Foreign Direct Investment by Regions and Income Groups (US$ at current prices and current exchange rates in millions)

Region	High-income			Upper-middle-income		
	Mean	Sum	Table Sum %	Mean	Sum	Table Sum %
Africa	-	-	0.00%	34,865.12	209,190.75	1.12%
Asia	191,654.03	2,299,848.37	12.35%	139,116.07	973,812.52	5.23%
Europe	270,816.28	7,582,855.79	40.72%	66,579.38	798,952.57	4.29%
North America	1,007,911.63	4,031,646.50	21.65%	77,450.67	387,253.37	2.08%
Oceania	289,126.01	578,252.01	3.11%	2,319.20	2,319.20	0.01%
South America	-	-	0.00%	110,967.29	887,738.29	4.77%
Total	-	14,492,602.7	77.82%	-	3,259,266.7	17.5%
Regions	Lower-middle-income			Low-income		
	Mean	Sum	Table Sum %	Mean	Sum	Table Sum %
Africa	18,191.91	236,494.86	1.27%	2,624.28	36,739.91	0.20%
Asia	50,006.47	450,058.22	2.42%	2,824.77	14,123.85	0.08%
Europe	18,212.28	72,849.13	0.39%	-	-	0.00%
North America	11,181.49	44,725.95	0.24%	-	-	0.00%
Oceania	-	-	0.00%	4,452.01	4,452.01	0.02%
South America	3,909.18	11,727.55	0.06%	-	-	0.00%
Total	-	815,855.71	4.38%	-	55,315.77	0.3%

The amount of FDI into the United States, Hong Kong, the United Kingdom, and France far outweighed other countries. Those at the bottom of the list are less developed countries with low TTCI rankings. For example, Burundi was ranked lowest on the level of economic globalization and the tourism receipts of Burundi are also ranked at the bottom. On the other

hand, all high ranked countries at the level of economic globalization are advanced countries and those who ranked at the top of the TTCI. From this comes the presumption that there is a relationship between FDI and the TDC of a country.

Table 4.6 Rank of Countries/economies by the Level of Economic Globalization (FDI)

Rank	Top 5 countries/economies	Inward FDI (US$)	Least 5 countries/economies	Inward FDI (US$)
1	United States (6)	3,451,405.00	Burundi (137)	85.55
2	Hong Kong SAR (12)	1,097,619.65	Nepal (112)	204.94
3	United Kingdom (7)	1,086,143.14	Timor-Leste (134)	342.28
4	France (3)	1,008,377.97	Rwanda (102)	434.72
5	Germany (2)	674,217.09	Gambia (92)	675.01

Notes: Parenthesis represents the ranking in the 2011 Travel & Tourism Competitiveness Index

Table 4.7 shows the openness of travel and tourism sectors of countries by regions and income levels. The average openness of bilateral air service agreements among upper-and lower-middle-income countries in North America is at a high level, 21.88 and 31.2 respectively. This result also reflects the competitiveness of air infrastructure in upper and lower-middle-income countries of North America. The average values of air infrastructure are the highest among other regions within the same income level group (Mean value for upper-middle-income =3.74 and lower-middle-income=2.78). In contrast to the results of FDI, the level of liberalization regarding travel and tourism sectors shows that low-income countries in Africa are more likely to open to the global economy. For example, Burundi, a low-income country in Africa, is ranked 3rd in the GATS commitments restrictiveness index, but the tourism performance of Burundi is ranked at the bottom.

Table 4.7 Openness of Countries by Region and Income Level

Regions	High-income				Upper-middle-income			
	Openness of air service agreements		GATS Index		Openness of air service agreements		GATS Index	
	Mean	Table Sum %	Mean	Table Sum %	Mean	Table Sum %	Mean	Table Sum %
Africa	-	0.00	-	0.00	8.93	3.74	64.23	3.78
Asia	10.98	8.44	42.95	6.95	8.64	4.23	62.23	3.66
Europe	11.43	22.34	55.22	22.76	7.96	5.56	64.30	5.68
North America	17.10	4.78	61.98	3.65	21.88	7.64	45.48	3.35
Oceania	11.20	1.56	63.70	1.88	6.20	0.43	51.10	0.75
South America	-	0.00	-	0.00	13.25	7.40	53.88	6.34
Regions	Lower-middle-income				Low-income			
	Openness of air service agreements		GATS Index		Openness of air service agreements		GATS Index	
	Mean	Table Sum %	Mean	Table Sum %	Mean	Table Sum %	Mean	Table Sum %
Africa	8.62	7.82	62.44	11.03	6.72	6.57	67.75	12.96
Asia	9.25	5.17	51.09	5.26	5.35	1.49	60.98	3.59
Europe	5.85	1.63	64.43	2.85	-	0.00	-	0.00
North America	31.20	8.72	50.10	2.95	-	0.00	-	0.00
Oceania	-	0.00	-	0.00	7.70	0.54	0.00	0.00
South America	9.23	1.93	58.00	2.56	-	0.00	-	0.00

Bahrain and Brunei Darussalam in Asia, Barbados in North America, Cyprus in Europe, Madagascar in Oceania, and Mozambique in Africa do not open their service industry by GATS commitments. Among them, Cyprus and Bahrain have relatively high tourism performance (61st

and 41st regarding tourist arrivals, respectively). There seems to be less consistency with the

results of FDI and openness of air service agreements given that the developed countries have a

high FDI level and openness while less-developed countries have low FDI and openness.

A country's prosperity, as measured by the Human Development Index (HDI), shows a strong

relationship with a country's income level. High-income countries have higher HDI averages

ranging from 0.822 to 0.922. Countries in Oceania that belong to the high-income group have the

highest average HDI due to the contributions of Australia which is ranked as a top country for

standard of living (0.937 of HDI). Low-income countries in Africa have the lowest average HDI,

indicating a poor standard of living for residents. This is due to the fact that many African

countries have suffered from the HIV epidemic, inequality in education, and poverty (UNDP,

2010).

Table 4.8 Human Development Index by Regions and Income Level

Regions	High-income (Mean)	Upper-middle-income (Mean)	Lower-middle-income (Mean)	Low-income (Mean)
Africa	-	.659	.464	.345
Asia	.822	.693	.577	.514
Europe	.850	.734	.682	-
North America	.829	.716	.597	-
Oceania	.922	.701	-	.435
South America	-	.728	.631	-

Interestingly, although Zimbabwe in Africa has the lowest HDI (0.140), its ranking for

tourist arrivals was 66th and the ranking for tourism receipts was 95th. This shows that while a

destination has a poor standard of living, this does not necessarily hinder attracting tourists. The

figures imply the potential to enhance the tourism competiveness of a country despite a low level of prosperity.

4.2 Preliminary Analysis

4.2.1. Missing data.

Before analyzing data, it is necessary to screen the original data set for the problem related to missing data and normality. A few missing values in a large sample may be ignorable if some of the data is lost. For dealing with missing observations, listwise and pairwise deletion methods are the basic techniques of available case methods, which analyze only the data available through deletion of incomplete cases (Kline, 2011). However, any loss of missing values in this study would be likely to affect the analytical results because the sample size is rather small, a total of 139 cases. It will be even more problematic in multi-group analysis as the total sample is divided into two groups. The range of percentage of missing values was from 0.7% to 19.8% on a single variable of the original data set. Since the data set mostly consists of national statistics, many missing observations occurred in developing or less-developed countries like small islands. No clear missing data patterns were detected. To conserve all cases for the analysis, this study employed a single-imputation method like mean substitution. Even though there is no clear pattern of missing values, it is important to minimize any possible change in the analytical results occurring by a missing value replacement. Therefore, a missing value was replaced by mean values within predefined country groupings based on its GNI per capita, calculated using the World Bank Atlas method, and geographic location.

4.2.2. Descriptive analysis of measurement scales.

The results of descriptive statistic analysis for the measurement scales are presented in Tables 4.9 and 4.10. The core resources and attractions construct contains eight variables explaining the extent of natural, cultural and created resources, and attractions of a country. Many of the variables showed high standard deviation indicating the large variance between the values of high and low countries.

The complementary conditions construct contains eight variables to measure how well-established the domestic environments are for the tourism industry, so as to maintain or enhance the satisfaction of tourists. Hospitality, which represents the attitude of the local population towards foreign visitors, was very favorable (Mean=6.18, SD=0.42). The average number of countries whose citizens are exempt from obtaining a visa was 56.91 with relative high variance (SD=33.33).

The destination management construct contains seven variables, including how the country prioritizes the travel and tourism industry as an indicator of the overall level of destination management, human resources, and environmental management. The overall level of destination management and human resources seemed favorable with relative high mean values (Destination marketing, planning & development: Mean=4.51, the quality of the educational system: Mean=3.8, local availability of specialized research and training services: Mean=4.12, extent of staff training: Mean=4.00).

The demand condition construct contains seven variables explaining price competitiveness of a country and domestic demand conditions. Price competitiveness 4 measured

by retail diesel fuel prices, price competitiveness 5 measured by hotel room rates, and demand condition 1 showed relative high variance (Mean=106.49/SD=40.65, Mean=131.37/SD=42.04, Mean=6.26/SD=5.56, respectively).

Globalization contains three variables representing the level of economic globalization of a country. Overall economic globalization was measured by net inflow of FDI and openness of service industry was measured by bilateral air service agreements and GATS commitments restrictiveness. The mean value of FDI was US$141,229.87 and the variance was large between countries (SD=360,249.39). The mean value of openness index of bilateral air service agreements was 10.72 with standard deviation of 5.86. The average of liberalization regarding GATS commitments restrictiveness of travel and tourism services was 57.25 with standard deviation of 19.87.

Table 4.9 Descriptive Analysis of Exogenous Constructs

Constructs	Variables and Measurement Scales	Mean	Standard Deviation
Core Resources and Attractions	1. Natural resources 1: Number of World Heritage natural sites in the country (2010)	1.43	2.44
	2. Natural resources 2: Protected areas as a percentage of total land area (2010)	11.25	9.58
	3. Natural resources 3: The quality of the natural environment [1 = extremely poor; 7 = among the world's most pristine] (2009–2010 weighted average)	4.40	0.98
	4. Natural resources 4: The total known species of mammals, birds, and amphibians in the country (2010)	749.09	582.20
	5. Cultural resources : Number of World Heritage cultural sites and Oral & Intangible Heritage (2010)	6.92	9.94
	6. Created resources 1: The ratio of total seats for all major sports stadiums in the country to the total population (in millions)	47,658.67	50,706.43
	7. Created resources 2: The average number of international fairs and exhibitions held annually in each country between 2007 and 2009	61.01	103.23
	8. Created resources 3: The share of the world's total exports of the creative industries products such as art crafts, music, books, fashion, paintings, and others	0.78	2.30
Complement-ary condition	1. Tourism infrastructure: Tourism infrastructure [1 = extremely poor; 7 = excellent]	3.79	1.71
	2. Air infrastructure: Air transport infrastructure [1 = extremely poor; 7 = excellent]	3.33	1.12
	3. Ground infrastructure: Ground transport infrastructure [1 = extremely poor; 7 = excellent]	3.88	1.15
	4. ICT infrastructure: ICT infrastructure [1 = extremely poor; 7 = excellent]	3.42	1.29
	5. Hospitality: Attitude of population towards foreign visitors [1 = very unwelcome; 7 = very welcome] (2009–10 weighted average)	6.18	0.42
	6. Accessibility: Number of countries whose citizens are exempt from obtaining a visa (= 1) or able to obtain one upon arrival (= 0.5) out of all UN countries (2010)	56.91	33.33
Destination Management	1. Destination marketing, planning & development: Prioritization on Travel & Tourism industry [1 = extremely poor; 7 = excellent]	4.51	0.89
	2. Human resources 1: Quality of the educational system [1 = not well at all; 7 = very well] (2009–2010)	3.80	0.93

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Table 4.9 (cont.)

Constructs	Variables and Measurement Scales	Mean	Standard Deviation
Destination Management	3. Human resources 2: Local availability of specialized research and training services [1 = not available; 7 = widely available] (2009–10 weighted average)	4.12	0.94
	4. Human resources 3: Extent of staff training [1 = hardly at all; 7 = to a great extent] (2009–10 weighted average)	4.00	0.70
	5. Environmental management 1: Sustainability of T&T development [1 =very ineffective; 7 = very effective] (2009–10 weighted average)	4.36	0.85
	6. Environmental management 2: Carbon dioxide emissions per capita in metric tons (2007)	5.91	7.67
	7. Environmental management 3: Total number of ratified environmental treaties (2010)	18.83	3.21
Demand Conditions	1. Price competitiveness 1: Index of relative cost of access (ticket taxes and airport charges) to international air transport services [0 = highest cost, 100 = lowest cost] (2010)	76.21	15.10
	2. Price competitiveness 2: Ratio of purchasing power parity (PPP) conversion factor to official exchange rate (2009)	0.66	0.27
	3. Price competitiveness 3: Extent and effect of taxation [1 = significantly limits incentives to work or invest; 7 = has no impact on incentives to work or invest] (2009–10 weighted average)	3.61	0.78
	4. Price competitiveness 4: Retail diesel fuel prices (US cents per liter) (2008)	106.49	40.65
	5. Price competitiveness 5: Average room rates calculated for first-class branded hotels for calendar year, in US dollars (2009)	131.37	42.04
	6. Demand condition 1: Tourism expenditure (outbound visitors) and receipts (inbound visitors) as a percentage of GDP (2009)	6.26	5.56
	7. Demand condition 2: Extension of business trips recommended [1 = very unlikely; 7 = very likely] (2009–10 weighted average)	5.29	0.67
Globalization	1. Globalization 1: The net inflow of FDI in US$ (2010)	141,229.87	360,249.39
	2. Globalization 2: Openness of bilateral air service agreements (2005)	10.72	5.86
	3. Globalization 3: GATS commitments restrictiveness index of Travel & Tourism services (2006-2009)	57.25	19.87

Table 4.10 displays descriptive statistics of endogenous constructs. The tourism

destination competitiveness (TDC) construct contains 3 variables representing the relative

productivity of a tourism destination. The mean values of market share of tourist arrivals and

tourism receipts were 0.72 with 1.34 of standard deviation and 0.72 with 1.47 of standard

deviation. The average spending per arrival in a destination was US$1.1 with 2.08 of standard

deviation. Socioeconomic prosperity measured by the Human Development Index showed the

mean value of 0.67 with standard deviation of 0.17.

Table 4.10 Descriptive Analysis of TDC and Socioeconomic Prosperity

Constructs	Variables and Measurement Scales	Mean	Standard Deviation
Tourism Destination Competitiveness (TDC)	1. TDC 1: Market share based on arrivals in a destination	0.72	1.34
	2. TDC 2: Market share based on tourism receipts in a destination	0.72	1.47
	3. TDC 3: Tourism spending per arrival in a destination	1.10	2.08
Socioeconomic prosperity	Socioeconomic prosperity: Human Development Index (HDI) from UNDP (2010)	0.67	0.17

4.2.3. Data transformations.

PLS path modeling does not require univariate or multivariate normality of the data

unlike Maximum Likelihood (ML) Estimation in SEM. Nevertheless, extreme cases in skewness

and kurtosis of data are likely to affect the analytical results. Skewness and kurtosis of all

variables are investigated to detect whether there are severe cases. All variables were

investigated and 10 variables out of 35 were found positively skewed and showed extremely

positive kurtosis. To remedy extreme skewness and kurtosis, transformations were needed by

converting the original scores with a mathematical operation to new ones that may be more normally distributed (Kline, 2011). Although there is no clear cut way of how extreme absolute values cause a problem, this study follows the rule of thumb of extreme skewness and kurtosis, which is less than or greater than 3 and 10, respectively (Kline, 2011). Table 4.11 presents the value of skewness and kurtosis of all variables and indicates that some of them are severely non-normal. Therefore, before analyzing non-normal data, a logarithm was applied for transformations of 10 variables positively skewed and leptokurtic (positive kurtosis).

In addition, reverse coding was applied to four variables in which the scores of original variables were negatively opposite to other variables. Environmental management 2, price competitiveness 2, price competitiveness 4, and price competitiveness 5 were reversely recoded. One way to recode the scores is to multiply them by -1.0 and then add a constant to the reflected scores so that the minimum score is at least 1.0.

4.3 Measurement Model

First, the measurement model was tested to check whether the indicators of each construct measured what they were supposed to measure. Tests for convergent and discriminant validity were performed in both a high-income country sample and a low-income country sample. It was important to establish that the measures performed adequately in both samples for multi-group analysis (MGA). This study first sought to ensure that the measurement model fit well for the high-income group and then used this model to test the low-income group. The purpose of this was to see if the measures could be applicable to low-income countries as well.

Table 4.11 Skewness and Kurtosis

Constructs	Variables	Skewness	Std. Error	Kurtosis	Std. Error
Core Resources and Attractions	1. Natural resources 1	3.215	0.206	12.483	0.408
	2. Natural resources 2	1.337	0.206	2.083	0.408
	3. Natural resources 3	0.390	0.206	-0.358	0.408
	4. Natural resources 4	1.971	0.206	4.188	0.408
	5. Cultural resources	3.067	0.206	11.110	0.408
	6. Created resources 1	1.678	0.206	2.854	0.408
	7. Created resources 2	2.693	0.206	8.657	0.408
	8. Created resources 3	5.896	0.206	43.926	0.408
Complementary conditions	1. Tourism infrastructure	0.248	0.206	-1.027	0.408
	2. Air infrastructure	0.721	0.206	-0.319	0.408
	3. Ground infrastructure	0.651	0.206	-0.529	0.408
	4. ICT infrastructure	0.446	0.206	-1.006	0.408
	5. Hospitality	-1.134	0.206	1.501	0.408
	6. Accessibility	0.345	0.206	0.493	0.408
Destination Management	1. Destination marketing, planning & development	0.019	0.206	-0.240	0.408
	2. Human resources 1	0.388	0.206	-0.470	0.408
	3. Human resources 2	0.290	0.206	-0.379	0.408
	4. Human resources 3	0.256	0.206	-0.442	0.408
	5. Environmental management 1	-0.075	0.206	-0.490	0.408
	6. Environmental management 2	3.072	0.206	13.760	0.408
	7. Environmental management 3	-0.727	0.206	1.092	0.408
Demand Conditions	1. Price competitiveness 1	-1.720	0.206	5.100	0.408
	2. Price competitiveness 2	1.180	0.206	0.578	0.408
	3. Price competitiveness 3	0.825	0.206	1.113	0.408
	4. Price competitiveness 4	-0.280	0.206	-0.340	0.408
	5. Price competitiveness 5	1.050	0.206	1.960	0.408
	6. Demand condition 1	2.300	0.206	6.597	0.408
	7. Demand condition 2	-0.594	0.206	0.891	0.408
Globalization	1. Globalization 1	6.287	0.206	52.315	0.408
	2. Globalization 2	1.643	0.206	3.806	0.408
	3. Globalization 3	-0.999	0.206	1.348	0.408
Tourism Competitiveness	1. TDC 1	3.556	0.206	14.548	0.408
	2. TDC 2	4.339	0.206	24.341	0.408
	3. TDC 3	9.912	0.206	108.602	0.408
Socioeconomic Prosperity	HDI	-0.707	0.206	-0.277	0.408

During the process of establishing the measurement model, the convergent validity and discriminant validity were tested and if the evaluation criteria described in Chapter 3 were not satisfied, the measurement model was re-specified.

For the convergent validity, both indicator reliability and construct reliability were assessed. As described in Chapter 3, indicator reliability was examined by checking the outer loadings of each construct. The initial model for the high-income group with a total of 35 variables had low values of outer loadings (< 0.7) and insignificant variables. For example, five variables out of seven in the demand conditions construct were loaded under 0.7 and showed unreliable indicators for measuring demand condition. The globalization construct was measured by three indicators including globalization 1 (net inflow FDI), globalization 2 (bilateral air service agreements), and globalization 3 (GATS commitments). However, only net inflow FDI could measure globalization. After eliminating all insignificant variables, the final model was detected, with 19 variables in total.

Table 4.12 displays values of loadings, p-value, composite reliability and average variance extracted (AVE). All loadings are significant at the 0.01 level. The significance tests were conducted using the bootstrap procedure with 1,000 resamples. All loadings were above the recommended 0.7 parameter value except one (Destination marketing, planning & development on Destination management). Construct reliability and validity were tested using two indices: (1) the composite reliability (CR) and (2) the average variance extracted (AVE). All the estimated indices were above the recommended cut-off value (Henseler et al., 2009) of 0.6 for CR and 0.5 for AVE. The destination marketing, planning & development variable is included in the final model. Even though the loading is lower than 0.7, the loading is significant in a t-test and the values of CR and the AVE show the convergent validity of the destination management construct

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(0.89 for CR and 0.63 for AVE). In addition, loading over 0.5 or 0.6 is acceptable if the AVE

and CR are above the cut-off values. For example, Wixom and Watson (2001) accepted a 0.59

loading value for a reflective model.

Table 4.12 Indicators and Construct Validity for High-income Group

Construct	Indicators	Loading	p-value	CR	AVE
Core R&As	LnCultural resources	0.795	0.000	0.88	0.64
	LnCreated resources 2	0.883	0.000		
	LnCreated resources 3	0.767	0.000		
	LnNatural resources 1	0.761	0.000		
Complementary conditions	Air Infrastructure	0.870	0.000	0.91	0.71
	Ground infrastructure	0.827	0.000		
	ICT infrastructure	0.893	0.000		
	Tourism infrastructure	0.779	0.000		
Destination MGMT	Environment MGMT 1	0.748	0.000	0.89	0.63
	Human resources 1	0.825	0.000		
	Human resources 2	0.880	0.000		
	Human resources 3	0.870	0.000		
	Destination MKT, planning & development	0.630	0.000		
Demand conditions	Price competitiveness 2	0.813	0.000	0.82	0.69
	Price competitiveness 4	0.848	0.000		
Globalization	LnGlobalization 1	1.000	0.000	1.00	1.00
TDC	LnTDC 1	0.976	0.000	0.98	0.96
	LnTDC 2	0.980	0.000		
Prosperity	HDI	1.000	0.000	1.00	1.00

The discriminant validity of the construct indicators was assured by checking the cross-

loadings. When each indicator loads higher on its respective construct than on any other

constructs, the discriminant validity is assured. The cross-loadings are represented in Table 4.13

and all indicators loaded higher on their respective constructs, implying discriminant validity for

the high-income group.

Table 4.13 PLS Cross-loadings for High-income Group

Indicators	CR&As	CCs	D M	DCs	Global	TDC	SP
LnCultural resources	**0.795**	0.143	0.019	-0.352	0.527	0.606	0.145
LnCreated resources 2	**0.883**	0.604	0.512	-0.628	0.789	0.805	0.521
LnCreated resources 3	**0.767**	0.421	0.382	-0.356	0.650	0.664	0.302
LnNatural resources 1	**0.761**	0.210	0.153	-0.128	0.547	0.551	0.132
Air Infrastructure	0.525	**0.870**	0.778	-0.497	0.628	0.611	0.640
Ground infrastructure	0.273	**0.827**	0.756	-0.566	0.405	0.421	0.642
ICT infrastructure	0.372	**0.893**	0.712	-0.738	0.464	0.421	0.876
Tourism infrastructure	0.313	**0.779**	0.528	-0.608	0.316	0.453	0.602
Environment MGMT 1	0.054	0.519	**0.748**	-0.228	0.117	0.244	0.250
Human resources 1	0.119	0.708	**0.825**	-0.439	0.272	0.246	0.605
Human resources 2	0.567	0.794	**0.880**	-0.697	0.705	0.660	0.706
Human resources 3	0.227	0.697	**0.870**	-0.491	0.431	0.324	0.580
Destination MKT, planning & development	0.108	0.472	**0.630**	-0.292	0.064	0.351	0.168
Price competitiveness 2	-0.369	-0.765	-0.646	**0.813**	-0.498	-0.378	-0.753
Price competitiveness 4	-0.432	-0.416	-0.368	**0.848**	-0.308	-0.415	-0.392
LnGlobalization 1	0.796	0.555	0.492	-0.480	**1.000**	0.801	0.503
LnTDC 1	0.796	0.526	0.499	-0.413	0.757	**0.976**	0.289
LnTDC 2	0.826	0.605	0.542	-0.517	0.807	**0.980**	0.406
HDI	0.368	0.810	0.628	-0.679	0.503	0.358	**1.000**

Notes: CR&As: Core resources and attractions; CCs: Complementary conditions; DM: Destination management; DCs: Demand conditions; Global: Globalization; TDC: Tourism destination competitiveness; SP: Socioeconomic prosperity

The measurement model for the low-income group was tested based on the final model of the high-income group. Table 4.14 shows the result of indicator loadings and convergent validity of the low-income group. All loadings except Price competitiveness 2 are significant at the 0.01 level. Loadings of five variables (Price competitiveness 2, Ground infrastructure, Environment management 1, Human resources 1, and Human resources 3) are lower than the recommended 0.7 parameter value. This indicates that these variables are less reliable in measuring the

corresponding latent constructs. However, as discussed in the result of the high-income group, it

is acceptable to include variables over 0.5 in the final model.

Table 4.14 Indicators and Construct Reliability for Low-income Group

Construct	Indicators	Loading	p-value	CR	AVE
Core R&As	LnCultural resources	0.836	0.000	0.87	0.63
	LnCreated resources 2	0.827	0.000		
	LnCreated resources 3	0.809	0.000		
	LnNatural resources 1	0.702	0.000		
Complementary conditions	Air Infrastructure	0.848	0.000	0.85	0.59
	Ground infrastructure	0.529	0.000		
	ICT infrastructure	0.806	0.000		
	Tourism infrastructure	0.836	0.000		
Destination MGMT	Environment MGMT 1	0.645	0.000	0.82	0.48
	Human resources 1	0.669	0.000		
	Human resources 2	0.809	0.000		
	Human resources 3	0.606	0.000		
	Destination MKT, planning & development	0.707	0.000		
Demand conditions	Price competitiveness 2	0.266	0.258	0.63	0.53
	Price competitiveness 4	0.999	0.000		
Globalization	LnGlobalization 1	1.000	0.000	1.00	1.00
TDC	LnTDC 1	0.928	0.000	0.94	0.89
	LnTDC 2	0.959	0.000		
Prosperity	HDI	1.000	0.000	1.00	1.00

The problem occurs in the demand condition construct. Price competitiveness 2 is not

significant as a proper measure of demand condition in the low-income group. Price

competitiveness 2 measures the price competitiveness of a country in terms of purchase power

parity (PPP) which is how much money would be needed to buy the same goods and services in

the domestic market as a US dollar. The low value in price competitiveness 2 in a country means

high price competitiveness relative to other countries. This would be a pull factor to attract

international tourists to the country.

Table 4.15 Cross-loadings for Low-income Group

Indicators	CR&As	CCs	DM	DCs	Global	TDC	SP
LnCultural resources	**0.836**	0.454	0.402	0.171	0.591	0.640	0.237
LnCreated resources 2	**0.827**	0.398	0.461	0.302	0.619	0.612	0.262
LnCreated resources 3	**0.809**	0.397	0.300	0.198	0.546	0.440	0.145
LnNatural resources 1	**0.702**	0.162	0.365	-0.089	0.359	0.380	-0.065
Air Infrastructure	0.652	**0.848**	0.555	0.160	0.519	0.532	0.411
Ground infrastructure	0.284	*0.529*	*0.552*	-0.046	0.122	0.228	0.140
ICT infrastructure	0.240	**0.806**	0.366	0.293	0.435	0.421	0.769
Tourism infrastructure	0.205	**0.836**	0.315	0.076	0.488	0.497	0.481
Environment MGMT 1	0.125	0.093	*0.645*	-0.175	-0.074	0.147	-0.187
Human resources 1	0.306	0.207	*0.669*	-0.074	0.110	0.238	-0.136
Human resources 2	0.525	0.506	**0.809**	0.149	0.462	0.481	0.150
Human resources 3	0.277	0.326	*0.606*	0.206	0.340	0.260	0.105
Destination MKT, planning & development	0.291	0.495	**0.707**	0.043	0.161	0.483	0.370
Price competitiveness 2	0.204	-0.192	-0.062	*0.266*	0.021	0.013	-0.026
Price competitiveness 4	0.203	0.187	0.093	**0.999**	0.420	0.347	0.393
LnGlobalization 1	0.681	0.550	0.353	0.417	**1.000**	0.716	0.391
LnTDC 1	0.554	0.460	0.444	0.283	0.578	**0.928**	0.225
LnTDC 2	0.701	0.603	0.552	0.358	0.752	**0.959**	0.350
HDI	0.211	0.613	0.191	0.388	0.391	0.313	**1.000**

Notes: CR&As: Core resources and attractions; CCs: Complementary conditions; DM: Destination management; DCs: Demand conditions; Global: Globalization; TDC: Tourism destination competitiveness; SP: Socioeconomic prosperity

Although convergent validity with regard to the indicator reliability shows as being less

favorable, there is evidence for construct reliability and validity. All estimated indices of the

composite reliability (CR) and the average variance extracted (AVE) for construct reliability

were above the recommended cut-off value (Henseler et al., 2009) of 0.6 for CR and 0.5 for

AVE (except Destination management). The AVE of the destination management construct is 0.4767 because the loadings of three variables out of five are less than 0.7 (range from 0.6055 to 0.6685). It demonstrates that these variables are less powerful to measure the latent construct of destination management for the low-income group, unlike the same variables for the high-income group. However this construct remains since all loadings are significant and the CR is assured. In addition, for the purpose of comparison, it is sustained in the test of the structural model.

The discriminant validity of construct indicators for the low-income group was demonstrated by checking the cross-loadings. Table 4.15 shows cross-loadings for the low income sample. The loadings on their respective constructs are boldface. Italic type with boldface indicates a loading of less than 0.7. All indicators except one (ground infrastructure) loaded higher on their respective constructs, implying discriminant validity for the low-income group. However, ground infrastructure shows a higher correlation with destination management construct than its corresponding construct (Complementary conditions). Therefore, the discriminant validity of measures for the low-income group cannot be fully assured.

4.4 Structural Model

After finding that the measurement model works for both samples, the next step is to test the structural model. Note that price competitiveness 2 was eliminated in the structural model test because it was insignificant in the low-income group. In this step, the explanatory power of the entire model on the endogenous constructs and the predictive power of the exogenous constructs and variables are tested. Additionally, the quality and validity of the structural model

are assessed by Stone-Geisser's Q^2 and a global criterion of goodness-of-fit (GoF) (details are described in Chapter 3).

The explanatory power is examined by structural multiple correlations (R^2) of the endogenous latent constructs of TDC and socioeconomic prosperity. The values should be interpreted in the same manner as R^2 in a regression analysis. As shown in Figure 4.2 and Table 4.16, in high-income countries 77.6% (R^2=0.776) of the variation in the level of TDC is explained by the exogenous constructs, while in low-income countries 64.4% (R^2=0.644) is explained. In high-income countries 12.8% (R^2=0.128) of the variation in the level of socioeconomic prosperity is accounted for by the exogenous constructs, while in low-income countries *only* 9.8% (R^2=0.098) is explained. According to Chin (1998), R^2 values of 0.67, 0.33, and 0.19 in PLS path models are substantial, moderate, and weak, respectively. If the endogenous latent construct is explained by several exogenous latent variables, he suggested that the R^2 value should at least be at the substantial level (0.67). This can assure the theoretical underpinnings and demonstrate that the model is capable of explaining the endogenous latent construct(s) (Henseler et al., 2009). The relationship between destination competitiveness determinants and TDC is substantial for both samples, while the impact of TDC on Socioeconomic prosperity shows weak relationship.

Table 4.16 also displays the values of Q^2 and GoF in both samples. Q^2 assesses the quality of the structural model taking into account the measurement model. Both Q^2 values for TDC and Prosperity are larger than zero, so their exogenous constructs provide predictive relevance in both samples (Henseler et al., 2009). However, the results show that TDC has more acceptable value in predictive relevance. For assessing model validation, Goodness-of-fit (GoF) is computed. The values of GoF in both models are 0.577 for high-income and 0.49 for low-

income, above the recommended threshold (0.36). It can be concluded that both path models perform well.

Table 4.16 Goodness-of-fit for Endogenous Constructs and the Structural Model

	High-income model		Low-income model	
	R^2	Stone-Geisser's Q^2	R^2	Stone-Geisser's Q^2
TDC	0.776	0.733	0.644	0.557
Prosperity	0.128	0.130	0.098	0.098
Goodness of fit (GoF)	0.577	-	0.490	-

To test the significance of estimates for path coefficients, bootstrapping and resampling technique were used and the results are reported in Table 4.17 and Figure 4.2.

Table 4.17 PLS Path Estimates for High-income and Low-income Group

Relationships	High-income (n=86)				Low-income (n=53)			
	path	SE	*t*	*p*	path	SE	*t*	*p*
CR&As → TDC	**0.525**	**0.075**	**7.028**	**0.00**	**0.249**	**0.114**	**2.182**	**0.03**
CCs → TDC	0.039	0.063	0.610	0.54	0.125	0.087	1.434	0.15
DM→ TDC	0.170	0.095	1.790	0.07	**0.207**	**0.092**	**2.257**	**0.02**
DCs → TDC	-0.026	0.040	0.655	0.51	0.102	0.080	1.281	0.20
Globalization → TDC	**0.271**	**0.098**	**2.758**	**0.01**	**0.362**	**0.140**	**2.580**	**0.01**
TDC → SP	**0.358**	**0.094**	**3.828**	**0.00**	**0.313**	**0.123**	**2.539**	**0.01**

Notes: CR&As: Core resources and attractions; CCs: Complementary conditions; DM: Destination management; DCs: Demand conditions; TDC: Tourism destination competitiveness; SP: Socioeconomic prosperity

The significance test shows that two exogenous latent constructs, core resources & attractions and globalization, are significant at the $p < 0.05$ level in the relationship to TDC in high-income countries. In low-income countries, DM (destination management) along with core resources & attractions and globalization is also significant at the $p < 0.05$ level. In both samples, the impact of TDC on socioeconomic prosperity is assured but the predictive power is low.
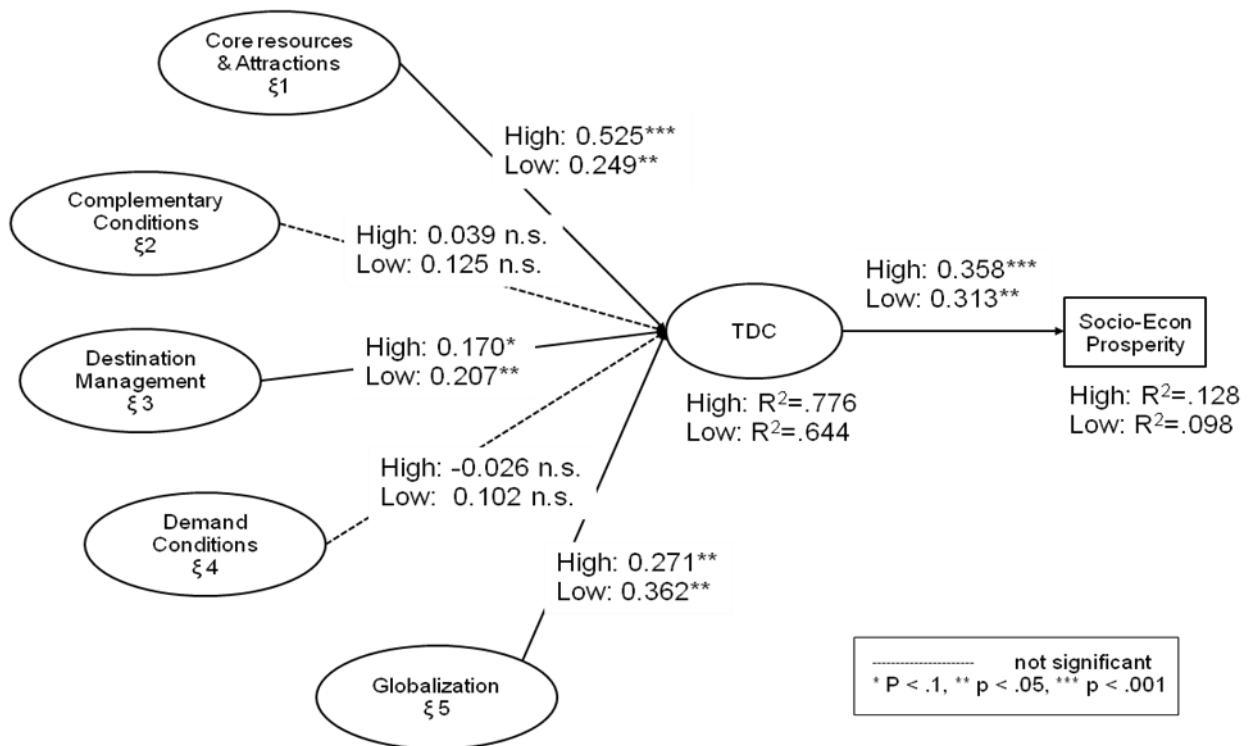

Figure 4.2. Structural model findings for high- and low-income countries

In the high-income group, the core resources and attractions construct has the greatest impact on TDC, with a path coefficient of 0.525, followed by globalization with a path coefficient of 0.271. In the low-income group, globalization has the most significant impact on TDC with a path coefficient of 0.362, followed by core resources and attractions (path=0.249). In

contrast to the high-income group, destination management has a significant impact on TDC (path=0.207) at the p<0.05 level in low-income group samples.

4.5 Results of Group Differences

PLS-based multi-group analysis (MGA) is conducted to detect the moderating effect of economic development. In MGA, a population parameter β is hypothesized to differ for two subpopulations: $\beta^{(1)} \neq \beta^{(2)}$ (Henseler et al., 2009). That is, if the differences in path coefficients between two groups are detected, it concludes differences in population parameters. The primary approach for group comparison is a t-test as described in Chapter 3. Table 4.18 displays the results of t-statistics. Only the impact of core resources and attractions on TDC was significantly different between the two samples.

Table 4.18 Differences in Path Coefficients

Relationships	High-income		Low-income		Difference		
	path	SE	path	SE	path	T	p-value
CR&As → TDC	0.525***	0.075	0.249**	0.114	0.276*	2.131	0.017
CCs → TDC	0.039	0.063	0.125	0.087	-0.086	-0.824	0.206
DM → TDC	0.170*	0.095	0.207**	0.092	-0.037	-0.263	0.397
DCs → TDC	-0.026	0.040	0.102	0.080	-0.128	-1.606	0.055
Globalization → TDC	0.271**	0.098	0.362**	0.140	-0.091	-0.552	0.291
TDC → SP	0.358***	0.094	0.313**	0.123	0.045	0.298	0.383

Notes: CR&As: Core resources and attractions; CCs: Complementary conditions; DM: Destination management; DCs: Demand conditions; TDC: Tourism destination competitiveness; SP: Socioeconomic prosperity

$* p < .1, \;\; ** p < .05, \;\; *** p < .001.$

4.6 Analysis of Hypotheses Testing

Table 4.19 summarizes the results of the hypotheses tests. As hypothesized, the latent construct of core resources and attractions was positively associated with TDC in both samples, indicating that a high level of core resources and attractions contributes to the increase in tourism competitiveness. Hypothesis 1-2, the impact of complementary conditions on TDC, was not supported in both samples. It was assumed that a high level of tourism infrastructure and supporting factors would support core resources and attractions and thus enhance TDC. However, no direct impact of complementarity conditions was revealed. Hypothesis 1-3 of the impact of destination management on TDC was supported for both samples. This result asserts that the competitiveness of the tourism industry can be achieved not only by comparative advantages but also by competitive advantages which add values to the comparative advantages.

Hypothesis 1-4 of the impact of demand conditions on TDC was not supported in both samples. There seems to be measurement issues for demand conditions. As discussed in Chapter 4, the proposed seven indicators did not show high reliability to construct the latent variable of demand conditions. Only one indicator (price competitiveness 4: retail diesel fuel prices) was used in the final PLS path model.

Hypothesis 2 of the direct impact of globalization on TDC was supported in both samples. Although the openness of a country's service sectors was not converged in the measurement model, the net inflow of FDI was used as a proxy of economic globalization. The result shows significance for economic globalization: that high FDI inflow contribute to the high level of TDC in both income groups.

Hypothesis 3 of the impact of TDC on socioeconomic prosperity was supported in both samples. There were positively significant relationships between TDC and socioeconomic

prosperity in both samples. However, the explanatory power was rather weak for the high-income group and more so in the low-income group.

Table 4.19 Hypotheses Results

	Hypothesis	Results
H1-1	Core resources & attractions → TDC (+)	Supported for High/Low
H1-2	Complementary conditions → TDC (+)	Not Supported for High/Low
H1-3	Destination management→ TDC (+)	Supported for High/Low
H1-4	Demand Conditions→ TDC (+)	Not Supported for High/Low
H2	Globalization → TDC (+)	Supported for High/Low
H3	TDC → Socioeconomic prosperity (+)	Supported for High/Low
H4-1	Moderating effect of economic development on Core resources & attractions → TDC	Supported
H4-2	Moderating effect of economic development on Complementary conditions → TDC	Not supported
H4-3	Moderating effect of economic development on Destination management → TDC	Not supported
H4-4	Moderating effect of economic development on Demand conditions → TDC	Not supported
H4-5	Moderating effect of economic development on Globalization → TDC	Not supported
H4-6	Moderating effect of economic development on TDC → Socioeconomic prosperity	Not supported

For the moderating effect of economic development, a set of hypotheses was proposed. The difference tests of path coefficients between high-income and low-income samples showed

that only hypothesis 4-1, a moderating effect on the relationship of core resources and attractions to TDC, was supported. The impact of core resources and attractions of the high-income group was greater than that of the low-income group. The tests of H4-2 and H4-4 were irrelevant because corresponding path coefficients of these hypotheses were insignificant in both samples. The moderating effects on the impact of globalization on TDC and the impact of TDC on socioeconomic prosperity were not supported. It concludes that there is no difference in the impact of globalization on TDC and the impact of TDC on socioeconomic prosperity between high-income and low-income countries.

CHAPTER V. DISCUSSION AND CONCLUSION

This chapter provides an overview of the study, the main findings, and conclusions of the study. First, detailed interpretations of the results are discussed in terms of theoretical, methodological, empirical and practical implications. Next, limitations of this study are provided with suggestions for future studies. It concludes by highlighting the contribution of the study to academia and policy making and suggesting future research areas.

5.1 Overview of the Study

This study reviewed the theoretical background and empirical studies that relate to tourism destination competitiveness (TDC) in the literature. The objective of the study was to develop a theoretical TDC model and empirically test the determinants (exogenous constructs) which would be likely to affect tourism competitiveness and socioeconomic prosperity. The determinants included core resources and attractions, complementary conditions, destination management, demand conditions, and globalization. It also addressed the moderating effect of economic development on the structural model.

The total sample size was 139 countries divided into two groups: a high-income country group (86) and low-income country group (53). The measurement scales for each construct were developed based on extensive review of the literature. After the re-specification of the initial measurement model, the reliability and validity of measurement scales in the final measurement model were revealed with regard to the convergent and discriminant validity. The final

measurement model consisted of five exogenous constructs and two endogenous constructs to test the relationship between each hypothesized construct.

All hypotheses in both the high-income country group and low-income country group were tested using Partial Least Square (PLS) path modeling. The findings suggest that three latent constructs of core resources/attractions, destination management, and globalization have impacts on TDC, supporting hypothesis 1-1, 1-3, and hypothesis 2. The finding also suggests that there is positive relationship between TDC and socioeconomic prosperity in both groups, thus supporting hypothesis 3. To test the moderating effect of economic development, PLS Multi-Group Analysis (MGA) was employed. The results of PLS-MGA suggest that the status of economic development measured by Gross National Income per capita has a moderating effect on the relationship between core resources/attractions and TDC (hypothesis 4-1).

5.2 Discussion

5.2.1. Determinants of tourism destination competitiveness.

This study examined the main determinants of tourism destination competitiveness (TDC) across high-income and low-income countries. Specifically, the study suggested five latent constructs as determinants—core resources/attractions, complementary conditions, destination management, demand conditions, and globalization—and explored the impact of the constructs on TDC. The findings suggest that core resources/attractions, destination management and globalization had a positive impact on TDC in both the high-income and low-income country groups. Moreover, the findings showed that the extent of the impact of determinants differs between the high-income and low-income country groups.

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In the high-income country group the core recourses/attractions had the strongest impact ($\beta = 0.525$), while in the low-income country group globalization ($\beta = 0.362$) had the strongest impact on TDC. This finding suggests that the strategy of enhancing resources and attractions to improve TDC might be more effective for developed countries than for less-developed (LDC) or developing countries. In addition, the result of the difference tests of the path coefficient also showed that the magnitude of coefficient of core resources/attractions is different between the two income level groups. The impact of core resources/attractions on tourism competitiveness was statistically significantly greater in high-income countries ($\beta = 0.525$) than that in low-income countries ($\beta = 0.249$). Hence, LDCs and developing countries might prefer to focus on destination management and globalization strategies.

The potential competitive strategies for low-income countries have been suggested by the study. First, the results of this study showed that destination management is an important determinant of tourism competitiveness. For low-income countries like developing countries and LDCs, destination management is equally or even more important than for high-income countries. The results showed that the path coefficients of both the core resources/attractions construct and the destination management construct were 0.249 and 0.207, respectively, in the low-income country group, while they were 0.525 ($p<.05$) and 0.17 ($p<.1$) respectively, in the high-income country group. The governments in developing countries and LDCs should prioritize the travel and tourism industry with strategic marketing and planning efforts and invest their resources in human resources management. These efforts for destination management will lead to competitive advantages in developing and less-developed countries as Porter and others have suggested.

The second potential strategy is to consider globalization as a main determinant of TDC. This study showed that globalization measured by net inflow of FDI is the important determinant of TDC in both income level groups. Particularly, globalization was the most significant factor in low-income countries. This finding provides strong empirical support for this study's assertion that the TDC framework should be extended to account for economic globalization as a main factor, especially in developing and less-developed countries. It also suggests that developing countries need to consider attracting FDI as an optimal policy in order to overcome their lack of resources and then enhance tourism competitiveness. The previous studies suggested that in the case of low-income countries, due to their inability to grow the tourism industry, the aid or investment from foreign countries would be more important in order to bring not only money for development but also the advantages of skills and technologies in tourism development, planning, marketing and management (Dunning & McQueen, 1981). For example, if MNCs come into a developing country, their advanced skills or techniques of marketing and management will help effectively promote a destination and transfer managerial skills to employees in a host country.

In contrast to the conceptual TDC models (Dwyer & Kim, 2003; Ritchie & Crouch, 2003), the findings did not show a significant impact of complementary conditions and demand conditions on TDC. The complementary conditions construct represents the level of tourism infrastructure and general infrastructure in a destination, and the insignificance of this construct is somewhat difficult to interpret. However, some explanations can be suggested. First, it is suspected that the indicators of TTCI are not sufficient for explaining this construct. For example, the results showed that the ground infrastructure variable had a low loading value on the complementary conditions in the low-income country group. Second, the strong correlation between each variable in the complementary conditions and socioeconomic prosperity (HDI)

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may distract the relationship between the complementary conditions and TDC. There were

stronger correlations of the variables reflecting the complementary conditions with the HDI

variable than with the variables of TDC. Third, this could be explained by the tourism motivation

theory. Although all kinds of infrastructures provided in a destination are important in helping

tourists satisfy their experiences during their visits, these infrastructures are supplementary and

complementary in nature to tourism attractions, as the name of the construct indicates. This

condition can be neither a push factor nor pull factor that motivates tourists to travel. Therefore,

the direct impact of complementary conditions may not be detected in this study.

The findings did not show the demand conditions construct as a determinant of TDC.

Demand condition was considered as a main determinant in the conceptual model proposed by

Dwyer and Kim (2003) and it was also emphasized in Porter's model. However, this empirical

study failed to show the direct impact of demand condition on TDC. The first reason for this may

be due to the lack of reliable indicators. This study employed seven indicators from the TTCI,

which can represent the concept in both Porter's model and DK's model, but six of them did not

converge into the latent construct and only a single indicator, measured by retail diesel fuel

prices in US cents per liter, remained as a reliable measurement. This is not surprising because

previous research by Mazanec et al. (2007) also suggested that a formative construct of tourism

price competitiveness did not converge. The second reason may be the fact that the concept of

demand conditions is not yet well-defined and the nature of price competitiveness and tourism

demand is too complicated. The construct of demand conditions includes both price

competitiveness and tourist preference for tourism destinations. Price competitiveness itself is a

very complex construct in the case of tourism destinations and has numerous components such as

the cost of goods and services purchased in a destination, the cost of transportation to a

destination, travel insurance, etc. (Ritchie & Crouch, 2003). In addition, many studies on determinants of international tourism demand found that the cost of transportation, exchange rates, and the local currency price of tourism services have a significant impact on the demand for travel to a destination (Crouch, 1992). Therefore, the construct of demand conditions cannot be reflected by a single variable, and it might be divided into several constructs. The unfavorable result of this construct in this explanatory model may need to be re-considered based on its concept, theoretical relationship, and empirical research.

5.2.2. The impact of TDC on socioeconomic prosperity.

This study examined the relationship between TDC and socioeconomic prosperity in the structural model. Whether tourism can lead to economic growth and increase the standard of living in a tourism destination has been addressed in the previous literature, but the results have been mixed. The findings of this study suggest that tourism competitiveness in a destination contributes to the standard of living, supporting the tourism-led growth hypothesis. Although these results support the tourism-led growth hypothesis, the results of both high-income and low-income countries show weak relationships in terms of the statistical power of the relationship (R^2) and the size of coefficients.

There might be a bi-directional or reverse relationship between two constructs in certain economies as some studies addressed a reciprocal relationship between tourism and economic growth (e.g., Dritsakis, 2004; Kim, Chen, & Jang, 2006), while other studies showed a reverse relationship (e.g., Oh, 2005). For example, bi-directional relationship was supported in the case of Taiwan (Kim et al., 2006), while economic-driven tourism expansion (reverse relationship)

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was supported in the case of South Korea (Oh, 2005). Tourism-led growth was supported in Taiwan by the relative high level of openness of Taiwan and the relative small size of its economy (Kim et al., 2006). Hence, the impact of TDC on prosperity may be compensated by tourism-led growth countries and economic-driven tourism growth countries.

5.2.3. Moderating effect of economic development.

The findings suggest that there is a different impact of core resources/attractions on TDC according to the income level of countries as discussed above. Here the discussion focuses on the measurement scales. Although the PLS-MGA of the structural models for the two groups showed little difference in main determinants (only core resources/attractions), it should be noted that before the final measurement model was achieved, many indicators did not converge into the same construct in the low-income country group and the assessment of the measurement model showed poor results in the low-income country group (e.g., low loadings, insignificant variables, and low value on AVE). This finding may imply that low-income countries cannot be measured by the same constructs and indicators as those for high-income countries. Hence, it suggests the need for different tourism competitiveness indexes according to a country's economic status.

5.3 Theoretical Implications

An important theoretical implication has to do with the tourism destination competitiveness models. The findings suggest that the conceptual TDC models need to be refined and the constructs and indicators need to be developed. Based on the findings of this

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empirical study, I propose a revised tourism destination competitiveness (TDC) model for a country as shown in Figure 5.1 and discuss implications of the revised model.

First, this empirical study expands the definitional and conceptual models of TDC to an explanatory model and confirms the structural relationships of concepts and factors proposed in previous conceptual models. The findings showed that the latent variables that explain determinants of TDC were observed and some of them were positively related to TDC. As discussed in the previous section (5.2 Discussion), the main determinants of TDC are core resources/attractions, globalization and destination management. These determinants directly contribute to enhancing tourism competitiveness in both high- and low-income countries as the arrows from determinants to TDC show in Figure 5.1.

The second important theoretical implication has to do with globalization in the TDC model. This study suggested and examined the direct impact of globalization on TDC based on NDP perspectives. From the development economic perspectives, NDP suggests that globalization and the multinational activities of MNCs play a critical role especially in developing countries. However, in the TDC theory, globalization was considered an external factor that does not directly affect tourism competitiveness. This study confirms globalization's direct impact on TDC regardless of the level of economic development.

Third, in contrast to the conceptual models and Porter's model, the direct effects of complementary and demand conditions on tourism competitiveness were not supported. Although no direct impact was empirically detected, complementary and demand conditions of destinations, conceptually, seem critical to satisfy tourists' experiences in a destination and assist in the improvement of tourism competitiveness. Hence, these components are included in the revised model as external or contextual factors.

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Lastly, this study further explores and supports the ultimate goal of TDC—

socioeconomic prosperity—in the structural model as DK's model suggested and the tourism-led

growth hypothesis asserted. As discussed above (5.2 Discussion), there is a positive relationship

between TDC and prosperity, implying that tourism competitiveness will contribute to the

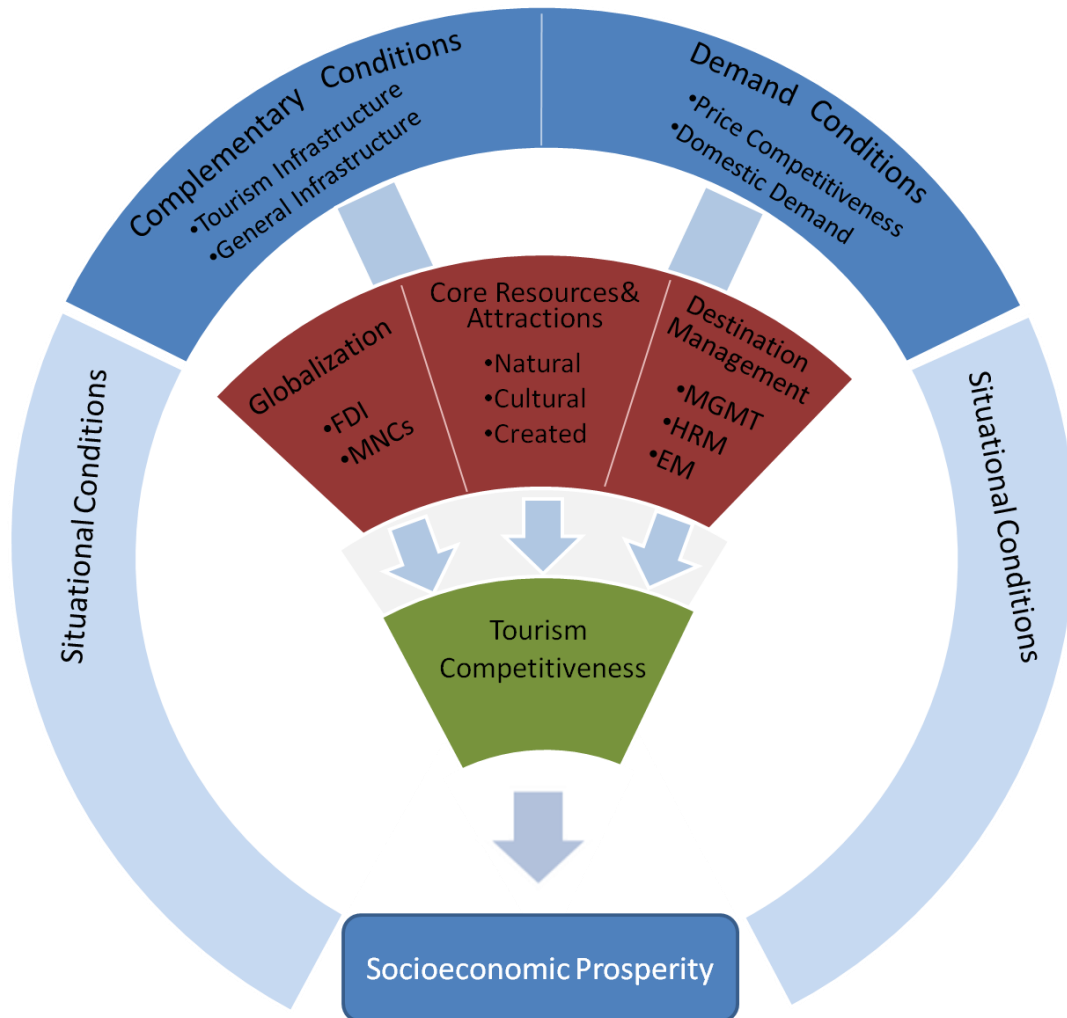standard of living in both high- and low-income countries.

Figure 5.1 Tourism destination competitiveness model of a country

As will be discussed in limitations and future research, this study also suggests evidence that there might not be a universal set of attributes which can apply to all destination levels. Although the findings of which determinants have statistically significant impacts on TDC showed the same results in both high- and low- income country groups, the results of measurement models showed that there are differences in indicators that affect TDC between the two groups. That is, TDC of low-income countries might need to be measured by more appropriate indicators. It implies that TDC models should take into account the situational conditions like the level of economic development, the size of a country, and the dependency on the tourism industry, as I suggested in the research framework (Figure 1.1, p.10).

5.4 Policy Implications

This study also has practical implications for policy makers and destination administrators. National tourism policy makers and tourism marketers should be aware of the differences in the attributes that contribute to TDC according to the level of economic development. They should take into account their country conditions and determine the most appropriate attributes and factors for applying tourism policies and managerial strategies. For developed countries, tourism policy makers should prioritize the strategies for developing core resources and attractions, including natural and cultural tourism attractions, the MICE (Meetings, Incentives, Conventions and Exhibitions) industry, and the creative industries. In recent years, many cultural products like movies, music, and TV dramas have been considered the main motivation of tourists to travel. The investment in creative industries and the export of these products might contribute to the tourism industry and tourism competitiveness. It is important to note that policy makers should not invest too many resources in the development of tourism and

general infrastructures, since this factor did not contribute to tourism competitiveness in this study.

For low-income countries, first, the policy of FDI should be given priority over other factors of TDC. In reality, the portion of foreign direct investment in low-income countries is very small relative to high-income countries. Developed countries are more attractive to MNCs because they have already established the necessary and sufficient conditions, like transportation or ICT infrastructures, for the business activities of MNCs. Given that it is difficult for developing and less-developed countries to attract FDI and MNCs, policy makers in those countries might need to increase their efforts and devise new and creative ways of doing so. The second main policy for low-income countries should be the development of core resources/attractions. They need to find potential resources based on their unique and authentic cultures and develop and promote these resources as tourist attractions. The main products of the tourism industry are tourism attractions that pull people to visit developing countries and LDCs. These products might be beautiful natural sites, historical sites, events/festivals, conventions, and so on. If these products are less competitive and less attractive, tourists are less likely to visit developing countries and spend their time and money. Hence, policy makers should invest their resources in developing and differentiating their main products. At the same time, developing countries and LDCs should focus more on strategies of destination management than developed countries in order to enhance their existing tourism attractions and promote newly developed attractions. They might need help from tourism-related MNCs which have greater experience in tourism development and business that could be of use to developing countries and LDCs that do not have enough knowledge and skills for tourism development, management, and promotions.

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However, tourism policy makers in low-income countries should not invest many resources in complementary infrastructures including tourism and general infrastructures. It is also necessary that when they make foreign investment policies, they should be careful of how to utilize FDI and attract MNCs for the tourism industry. For example, many developing countries and LDCs are willing to first establish general infrastructures for attracting international hotels, so they invest many resources in the development of infrastructures. However, their priorities should be on the development of tourism products and destination management. Although poor infrastructures like airports and highways should be improved in order to satisfy tourists and to attract MNCs, poor tourism products will not encourage tourists to visit or MNCs to invest. In addition, when developing countries and LDCs attract and choose MNCs, they should first determine if the available MNCs would contribute to developing the tourism products in their countries.

5.5 Limitations and Suggestions

There are limitations with regard to measurement scales and data for TDC. This study employed most of the indicators from the TTCI to measure determinants of TDC. However, the results showed that many indicators did not converge to latent factors. There might be three possible reasons. First, the validity of the TTCI *per se* indicators is suspected. Although the TTCI is the most relevant and comprehensive data source at the national level, the indicators should be improved based on the TDC theory. Second, the predetermined constructs based on Porter's model are not relevant to explain the TDC model and the formative constructs as proposed by Mazanec and Ring (2011) may be more appropriate. There may be more appropriate constructs that reflect each concept proposed in the conceptual TDC model. If different

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constructs were tested or formative constructs hypothesized, the results might be affected in terms of the statistical power of the structural model and the relationships between constructs. Third, the TDC theory is in the early stage of theory development, which may cause less reliability of the measurement scales in this study. Therefore, future research needs to devote effort to developing appropriate measurements of TDC and to test the structural model using different constructs or different types of constructs.

This study tested variables which were only significantly loaded in corresponding constructs in the measurement models. There exists the possibility that other variables may be statistically significant under different constructs or that there may be a significant relationship between individual variables and TDC. Therefore future research needs to investigate the reliability of other variables and other possible constructs.

With regard to indicators of economic globalization, the result showed that only inward FDI was reliable as a proxy of economic globalization because the other two proposed indicators did not converge into the latent variable of globalization. Therefore, the interpretation of the direct impact of globalization is limited to the inward FDI of a destination because the openness of service sectors measured by bilateral air service agreements and GATS commitments were not loaded. Previous studies (e.g., Handszuh, 1992; Te Velde & Nair, 2006) have suggested that the openness of a country's economy by GATS commitments contributes to the travel and tourism industry and FDI inflow, and that it also contributes to development in developing countries. Future research should test the openness of a country with other possible indicators of globalization which could be related to tourism competitiveness.

In addition, this study could not obtain secondary data from some developing countries and LDCs because some countries do not collect the necessary statistics. Tourism-related data

was harder to collect in many countries because of the lack of universal statistics across the globe. This caused many missing values and hindered the statistical test. For example, the net inflow FDI is the total amount of FDI instead of tourism-related FDI. If it were possible to gather only tourism-related FDI of a country, there would be clearer results of the impact on tourism competitiveness.

Second, there are methodological limitations regarding sample size replacement of missing values, and distribution of data. For exploring complex structural relationships the sample size was small. SEM usually consists of many observed variables, latent variables, and paths between latent variables supposing complex models and this trait is subject to the fact that SEM requires a large sample size. This study has 139 cases for the statistical test and this sample was divided into two subsamples in order to detect the moderating effect of economic development. That made for a much smaller sample size for each model (high-income countries=86, low-income countries = 53). In addition to small sample size, most variables showed non-normal distribution. These created difficulty in certain types of statistical tests. To overcome this problem, this study employed Partial Least Square path modeling instead of SEM common estimation, such as Maximum Likelihood estimation, because PLS has advantages for relative small sample sizes and non-normal distributional assumption of the data. Therefore, future research at national levels needs to consider this problem. If data for more or all countries were made available, the statistical results would be more reliable. One way to solve this problem may be to use pooled samples combining all TTCI data from three years, as the TTCI reported the same indexes for the years of 2007, 2009, and 2011. This method would increase total sample size but it would be important to take into account the autocorrelation between annual data.

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There are missing values in the data, especially in developing countries and LDCs as indicated above. This requires replacement or deletion of missing values. Due to the small sample size, this study replaced missing values with mean values calculated according to a country's regional distribution and economic status. However, there are other methods for replacing missing values aside from using mean values. This study does not examine which method is more or less reliable or the effect on analytical results. Therefore, studying these methods could further reveal the validity of replacement methods in TDC research.

Third, the test of the moderating effect was limited to two levels. The sample was divided into two groups: high-income countries (high/upper-middle income countries) and low-income countries (lower-middle/low-income countries). Although the differences between these two groups were revealed in many observed variables, *a priori* groups may affect the analytical results. Therefore, if samples are available, future research needs to consider more thorough classification of countries in order to detect accurate results in a particular country group such as LDCs or developed countries.

5.6 Conclusion

The objective of this study was to develop a tourism destination competitiveness model to help tourism policy makers in different country groups acknowledge relevant factors given their economic development status and with regard to globalization.

In conclusion, enhancing tourism destination competitiveness is a way not only to increase the economic gains of a country but also to improve the standard of living of the residents in a destination. The main determinant of TDC is definitely core resources, natural and cultural attractions, which encourage people to visit destinations. While mature tourism

destinations such as many advanced countries attract tourists with their existing resources, many tourism destinations in the early stage of the tourism life cycle, like developing countries, need extensive efforts to develop their resources to be satisfactory attractions to tourists. These efforts include strategic development of attractions, destination marketing, human resource management and environmental management for sustainability of a destination. This study shows the potential for developing and less-developed countries to be competitive in the tourism industry despite their lack of resources by investing in destination management and attracting foreign direct investment. Countries with a low-income level should be prepared for the benefits and advantages of globalization effects, but also need to be aware of the costs of globalization that can harm the domestic economy.

The main contributions of this study are as follows: First, from the results of comprehensive data analysis, this study contributes to the transformation from a definitional model to an explanatory model of tourism destination competitiveness by exploring the structural relationships between all constructs, tourism competitiveness, and the standard of living; second, this study contributes to expanding the current TDC model by adding the global perspective to explain the structural relationships. This study shows that economic globalization plays a critical role in both high-income and low-income countries; third, the results of this study contribute to the implementation of optimal policies in order to enhance global tourism competitiveness to fit a nation's stage of economic development.

5.7 Future Research

This research can be extended in many ways to tourism competitiveness and globalization research topics. Possible further areas of research are suggested based on the research framework proposed in Chapter 1 (Figure 1.1, p.10).

First, future studies should be focused on the development of appropriate determinants and corresponding indicators and systematic relationships among determinants and tourism competitiveness. The conceptual models of TDC have not been fully asserted by this empirical study since two latent constructs (complementary conditions and demand conditions) were not supported. It was *conceptually* suggested that these two constructs positively affect tourism competitiveness, so policy makers need to develop and invest in tourism and general infrastructure and domestic demand conditions. However, as empirical data did not support their direct impacts, second order relationships may exist with other main determinants or indirect impacts of these two constructs on TDC.

Second, the TDC model should be explained by considering a country's situational conditions. This study only focused on the level of economic development and economic globalization. There might be other factors affecting the structural relationships of TDC like the dependency on tourism industry and the size of a nation.

Third, this study shows the positive impact of globalization on TDC, but there are costs associated with globalization when a country depends heavily on FDI or MNCs. The net consequence of globalization has always been a trade-off between economic gains and costs. It is argued that the impact of FDI or MNCs has been negative due to the leakage of gross tourism expenditures (e.g., Smith & Jenner, 1992). Hence exploring the costs of economic globalization on national tourism competitiveness would be an important topic in order to balance costs and

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benefits in implementing globalization policies. In addition, this study only investigated the role of economic globalization, especially FDI. As countries open to the globe, there are other aspects to be concerned such as social, cultural and environmental impacts on tourism competitiveness.

Lastly, this study revealed that economic globalization enhances TDC and then contributes to the standard of living at the national level (macro level). As shown in the research framework (Figure1.1), there are contributors which might enhance tourism competitiveness at the regional level (micro level). For example, beyond monetary effects at the macro level, it has been suggested that the positive effects of MNCs is knowledge and managerial skill transfer from MNCs to host countries, especially in developing countries or LDCs. Future studies should investigate (1) how MNCs contribute to collaboration among tourism related stakeholders like domestic companies, public organizations, and governments in a tourism destination and then enhancing tourism competitiveness; (2) whether MNCs contribute to developing tourism clusters for competitiveness; and (3) how MNCs promote innovation of tourism products supplied by either MNCs or domestic companies.

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