The Impact of Travel&Tourism Competitiveness Factors on Tourism Performance: The Case of Silk Road Countries

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Abstract

The Silk Road project is a tourism-based project that aims to increase welfare and performance of member societies. In order to explore potential determining factors of the Silk Road countries' performance, we used Travel and Tourism Competitiveness pillars as independent and international tourist arrivals and tourism receipts dependent variables. Multiple regression analyses results revealed that air transport infrastructure is the most influential factor in explaining variance in performance variables. Other independent variables to be mentioned are ground transport infrastructure, cultural resources, environmental sustainability, and health and hygience.

Key words: Travel&Tourism Competitiveness Index, Strategic Management, The Silk Road Project, Tourism Performance

Introduction

Importance of competition factors on performance of countries has long been recognized. As the globalization increases, it becomes more difficult to sustain competitive advantages, which results to performance of countries. This difficulty also has been felt in tourism industry by policy makers at national and firm level, because of current global crisis that increased competition among nations. As the result, policy makers develop competitive strategies to increase performance of their countries. Obtaining a sustainable competitive advantage and increasing tourism performance have been a central concern for strategy makers and necessitate discovery of potential causes for a successful performance. In order to develop an answer for this concern, authors of this study use Travel and Tourism Competitiveness pillars as potential causes of tourism performance for the Silk Road countries.

Literature Review

Nowadays, tourism industry has gained a momentum in balancing countries' balance of payments, contributing to GDP and employment. These contributions of the industry to local economies made it a critical sector and a source of foreign currency in many countries of the World. As a result, obtaining and sustaining competitive advantage become critically important. The long term economic performance of countries mainly depends on their success in creating and sustaining sectors that produce revenue and employment. In order to obtain long-term sustainable economic performance, countries try

to develop competitive advantages over other countries. As Onsel et al. (2008) indicate "in order to provide firms the necessary opportunities to survive and realize global competitive advantage, it is essential to define the relative competitive position of their home country…A nation's competitiveness can be viewed as its position in the international marketplace compared to other nations of similar economic development" (pp. 222). At the industrial level, "the potential for any country's tourism industry to develop will depend substantially on its ability to maintain competitive advantage in its delivery of goods and services to visitors (Dwyer, et al., 2000: 9). Discussions regarding competitive advantage at the regional level fueled fire of theories of new economic geography and regional economy (Vukovic, et al., 2012). Establishment of European Union can be appraised as the major regional economic movement. One the biggest contribution has been made by Porter (2004) by explaining sources of innovativeness and competitiveness in the framework of regional clusters of related sectors. Regional competitiveness described as "the ability of a region to generate income and sustain the employment level with the aim of domestic and international competition" (DTI, 2002: 3).

Economic Forum (2011) defines competitivenessas the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the level of prosperity that can be earned by an economy. The productivity level also determines the rates of return obtained by investments in an economy, which in turn are the fundamental drivers of its growth rates. In other words, a more competitive economy is one that is likely to grow faster over time and exhibit a superior performance.

As Reed and DeFillippi (1990) indicate "superior performance is correlated with competitive advantage, and achieving an advantage will automatically result in higher performance" (pp. 90). Early studies of competitiveness stated that competitiveness resulted from certain key driving factors, such as capital, trade, investment, government spending, foreign direct investment, etc. New trade theory accentuates on factors like skilled labor, specialized infrastructure, networks of suppliers, and localized technologies. In addition to macro-economic approaches cited above, some micro-economic perspectives are also available. One of the most influential perspectives is Porter's *cluster theory*, which posits that geographical clusters encourage both operational effectiveness and distinctive strategic positions (Porter 1990). Another perspective is the Shumpeterian's *theory of entrepreneurship*, which focuses on the role of technology and entrepreneurs in creating innovation and learning. In order to create a competitive position, there are three broad groups of factors [(European Commission, 2003: Martin (edt)]:

- Infrastructure and accessibility
- Human capital
- R&D and innovation, demography.

In certain studies different models were used to classify competitive factors in tourism industry (Hassan, 2000; Dwyer and Kim, 2003). In this study, we use World Economic Forum's (WEF) classification of Travel and Tourism Competitiveness factors to examine resources that are expected to influence Silk Road countries' tourism performance. Leadership of United Nations World Tourism Organization (UNWTO) played the key role to organize 28 countries from Asia, Europe, and Africa and formed the Silk Road Project. The Member States currently involved in the Silk Road Program include: Albania, Armenia, Azerbaijan, Bulgaria, China, Croatia, DPR Korea, Rep. Korea, Egypt, Georgia,

Greece, Iran, Iraq, Israel, Italy, Japan, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Russia, Saudi Arabia, Syria, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan (UNWTO, 2012: 4). The Silk Road Countries are aware of the importance of the tourism industry in order to develop and be competitive. In order to succeed this result, the Silk Road countries should increase their capabilities and develop a competitive position to attract more tourists from around the world. In this sense, tourism performance can be evaluated as a result of using competition tools effectively in order to create a sustainable macroeconomic environment.

In the study, we conceptualized the tourism performance by two variables: international tourist arrivals and tourism receipts. WEF's classification of competitive factors consists of three sub-indexes and 14 factors that measure these sub-indexes, which are reported below:

- **T&T regulatory framework**

  (Policy rules and regulations, environmental sustainability, safety and security, health and hygiene, prioritization of travel and tourism)
- **T&T business environment and infrastructure**

  (Air transport infrastructure, Ground transport infrastructure, Tourism infrastructure, Information and Communication Technology (ICT) infrastructure, Price competitiveness in the T&T industry)
- **T&T human, cultural, and natural resources**

  (Human resources, Education and training, Availability of qualified labor, Affinity for Travel & Tourism, Natural resources, Cultural Resources)

Methodology

In this study, we aim to investigate the impact of Travel&Tourism Competitiveness Factors on the tourism performance of Silk Road Countries. As a promising project, the Silk Road project is gaining a critical importance for countries in the region. The list of Silk Road Countriesconsists of 28 countries: Albania, Armenia, Azerbaijan, Bulgaria, China,Croatia, DPR Korea, Egypt, Georgia, Greece, Iran, Iraq, Israel, Italy, Japan, Kazakhstan, Kyrgyztan, Mongolia, Pakistan, Republic of Korea, Russia, Saudi Arabia, Syria, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan. We used the data for 23 countries and excluded 5 countries because of lack of data. Countries that are excluded from the list are DPR Korea, Iran, Iraq, Turkmenistan, and Uzbekistan.

In order to perform multiple regression analyses to investigate the relationship between competitive factors and country performances, we used the data of The World Economic Forum's "The Travel and Tourism (T&T) Competitiveness Index" for the years between 2008-2011, excluded 2010 because of lack of data.

Findings

We performed two-separate multiple regression analyses and results postulated for the first analysis that the Silk Road Countries' tourist arrivals as a performance variable is influenced by three competition pillars, which are *air transport infrastructure, ground transport infrastructure, and cultural resources.* For the second analysis, findings revealed that tourism receipts of the Silk Road Countries are influenced by five competitive pillars:

Air transport infrastructure, ground transport infrastructure, environmental sustainability, cultural resources, and health-hygiene.

Table 1: Regression Analysis Results for Competitiveness Pillars and International Tourist Arrivals

Independent Variables	Beta	Significance of t
Constant	-10510.379	
Air transport infrastructure	0.695	0.000
Ground transport infrastructure	-0.476	0.000
Cultural resources	0.347	0.001
R^2	F	Significance of F
0.50	28.673	0.000

*Dependent variable: International tourist arrivals

Table 1 portrays the results for the first regression analysis results for competitiveness pillars and international tourist arrivals. The regression model obtained is significant at 95% significance level and explains 50% of variance in dependent variable (F= 28.673; p= 0.000; R^2= 0.50). As it can be seen from Table 1, out of 14 competition pillars, only 3 of them have statistically significant impact on the number of international tourist arrivals, as dependent variable. Scores imply that the most significant variable to influence tourist arrivals is air transport infrastructure, which accounts 37% variance in dependent variable. Other independent variables to influence international tourist arrivals are found to be ground transport infrastructure (Beta= -0.476; p= 0.000) and cultural resources (Beta= 0.347; p= 0.001).

Table 2: Regression Analysis Results for Competitiveness Pillars and International Tourism Receipts

Independent Variables	Beta	Significance of *t*
Constant	-19681.719	
Air transport infrastructure	0.609	0.000
Cultural resources	0.531	0.000
Ground transport infrastructure	-0.540	0.000
Environmental sustainability	0.318	0.001
Health and Hygiene	-0.250	0.001
R^2	F	Significance of F
0.66	33.050	0.000

*Dependent variable: International tourism receipts

The impact of competition pillars on international tourism receipts has been summarized at Table 2. The regression model is statistically significant at 95% significance level and explains 66% variance in dependent variable, international tourism receipts (F= 33.050; p= 0.000; R^2= 0.66). There are five independent variables that have explanatory power to explain the variance in dependent variable are air transport infrastructure (Beta= 0609; p=

0.000), cultural resources (Beta= 0.531; p= 0.000), ground transport infrastructure (Beta= -0.540; p= 0.000), environmental sustainability (Beta= 0.318; p= 0.00), and health and hygiene (Beta= -0.250; p= 0.001).

Discussion

Based on the findings reported in findings part of this study, we can postulate that the most significant variable to have impact on tourism performance is air transport infrastructure. In or two separate multiple regression analyses, air transport infrastructure is found to have impact on our tourism performance variables, international tourist arrivals and international tourism receipts. Because conditions of air transport infrastructure is easily observed and evaluated by tourists and provides easy accessibility to destinations for them; it is capable to influence the choice of destinations.

Cultural resources and environmental sustainability are other two independent variables that have impact on dependent variable, tourism performance. Cultural resources variable has capability to explain the variance in tourist arrivals and tourism receipts variables. The result is not surprising because many tourists choose a destination not only for sun and sea but also some events like international fairs and exhibitions, cultural sites, and sport events. Environmental sustainability is also important to influence tourism performance because this pillar includes variables such as, environmental regulations, sustainability of travel and tourism industry development and threatened species, which are directly related to attractiveness of a destination.

Health and hygiene and ground transport infrastructure have been found to influence tourism performance negatively. Potential explanation for this result could be destructive impact of global economic crisis which necessitated many governments in applying budget cuts in infrastructure investments and health care system to balance national budget deficits. Our suggestion is that owners, managers and associations in tourism sector should lobby national governments about preventing cut in the budget.

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