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Does Ranking Explain Actual Performance? A Case of WEF Tourism Competitiveness Report

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Does Ranking Explain Actual Performance? A Case of WEF Tourism Competitiveness Report

Tourism Destination Competitiveness

Determining destination competitiveness is vital. A competitive tourism destination should generate tourist arrivals and receipts. In other words, a destination is competitive only when it can create tourism revenues. Thus, defining and measuring competitiveness is crucial for a tourism destination, especially to appraise its performance compared to the competitors. Tourism destination competitiveness (TDC) is a complicated concept as its measurement involves various determinants and dimensions. From a practical standpoint, TDC is only sustainable when it addresses every essential variable that contributes to tourism performance. This article evaluates how TDC has been appraised via the World Economic Forum Travel and Tourism Competitiveness Index (TTCI) ranking report. The main criticism, in particular, is on the limited scope of the variables included in the TTCI and weights attached to these variables. This Report presents an alternative approach by including variables that bear higher relevance to assessing destination competitiveness.

The Critics

Currently, the evaluation of destination competitiveness is based on the efficiency of a destination in offering tourism supply and generating tourism demand. In terms of effectiveness, TDC has been measured by using composite indices. The variables in the TTCI index are measured on the basis of hard data and executive's opinion poll. The Travel and Tourism Competitiveness Index (TTCI) was developed by the World Economic Forum (WEF) in 2007 as the only tourism competitiveness indicator. The TTCI has been criticised by various tourism researchers. The TTCI, published by the WEF, has been subjected to methodological criticism, such as the arbitrary weighing of variables. Thus, in general, the advanced economies rank significantly better, and this leads to an unbalanced distribution of the competitiveness ranking between the developed and emerging countries.

Moreover, the TTCI report depends heavily on the findings of an Executive Opinion Survey. Not all the executives have the first-hand experience with the issues they were surveyed on. Therefore, this methodology makes the TTCI ranking a poor guide on the performance of tourism destinations. Furthermore, since 2007, the underdeveloped countries are rated lower, despite their lucrative natural and cultural resources. On the other hand, the first-world countries are the highest rated tourism destinations in TTCI. Their ranking has been buoyed by their quality infrastructures, but not on tourist motivation to visit their diverse core tourism products. These core tourism products should create tourism demand and generate tourism revenues. Conclusively, the TTCI may be considered as a collection of data, with limited ability to recognize the different or unique tourism characteristics of the countries.

The Study

To better understand the limitations of the TTCI, and to offer greater guidance to tourism policymakers, this brief report details an empirical study conducted on 115 nations. The secondary data on the competitiveness attributes were extracted from the international reports. The causal relationship between the competitiveness attributes and TTCI ranking, together with tourism performance was tested through the variance-based structural equation modelling. Seven variables were identified as predictors to TDC: tourism core resources, complimentary conditions, infrastructure quality, destination management, environmental management, tourism price, and globalisation.

This study discovered that only the complementary conditions and environmental management of the nation explain the TTCI ranking. The results are in line with the critics made by tourism researchers. As the TTCI report treats all sub-indices/pillars with equal weights, one could question whether it is appropriate for the TTCI to treat tourism core resources and ICT infrastructure on an equal footing. We found significant disparity between the nations' TTCI ranking, especially when compared with their actual tourism performance. Specifically, the TTCI ranking does not represent a country's actual tourism performance. Nonetheless, the availability of core tourism resources, excellent tourism infrastructure, globalisation, and

competitive tourism price lead to better tourism performance. It is also important to note that the TPCI does not account for the macroeconomic condition of a destination. Accordingly, this study reports that the macroeconomic condition of a destination may shape the trajectory of the high (low) end destinations in gaining superior (inferior) rankings in the TPCI.

Ergo, this study suggests the TPCI ranking should not be utilised as the only way to ascertain the competitiveness of a destination. In general, this study indicates that there is a limited and sparse direct association between the Tourism Destination Competitiveness (TDC) indicators and TPCI ranking. Furthermore, this study also proposes the TDC should be determined by the actual performance of a destination, in terms of generating tourist arrivals and spending.

Competitiveness Ranking: Room for Improvement

The TPCI has several limitations. The ranking does not explain the actual performance of tourism activity in a nation. It shows that higher-income nations are more efficient in converting their comparative abilities into competitive advantages. Many tourism-based countries are generally ranked lower. Such information becomes a concern for tourism policymakers. The incorrect competitiveness ranking could affect tourism investment decisions. Therefore, a reasonable benchmarking of competitive capabilities of the countries is indeed required.

This study proposes that the TPCI should weight tourism-related components more than non-tourism components to ensure a balanced approach. Moreover, the TPCI should take into account the unique features of a destination in the ranking calculations. Only then TPCI ranking will be able to convey a more comprehensible and factual assessment, in order to guide decision-making related to tourism developments, investments and other types of business decisions.

Reference

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