

# Business Environment and Competitive Advantages

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Tourism destination competitiveness reflecting the generic characteristics should be considered diversified to notice the distinctive perspective between the business environment and competitive advantages. Criticism of some prior conventional literature stems from the lack of a rigorous process to find the structure and attributes of the measurement items for a destination's business environment and competitive advantages. The available theoretical framework and measures containing the destination business environment and competitive advantages warrant further investigation. The vital dimensions of the destination business environment (i.e., dynamism, hostility, turbulence, investment, information technology, and governance) and destination competitive advantages (i.e., defensiveness, local acceptance, accessibility, reasonability, uniqueness, supportiveness, and image sustainability) were successfully identified through quantitative and empirical analysis, which could provide a significant basis for managerial and policy decisions in the tourism industry.

Keywords: tourism competitiveness ; business environment ; tourism comparative advantages

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## 1. Tourism Competitiveness and Its Applications

Tourism competitiveness generally represents the competence of a tourist destination to heighten its attractiveness for locals and travelers, through delivering high-quality, innovative, value-added products that tourists are concerned about and customer-oriented tourism services that are helpful to obtain domestic and global market shares and maintain its market position while competing with its competitors <sup>[1][2][3][4][5]</sup>, which also contributes to the efficient and sustainable utilization of tourism supporting resources <sup>[6]</sup>. Tourism competitiveness is closely linked to the economic prosperity of a whole country <sup>[7]</sup>; it encompasses price differentials coupled with exchange rate movements and productivity levels of various components of the tourism industry <sup>[1]</sup>. A certain tourism destination may be competitive or uncompetitive in different circumstances; it is essential to identify which destinations perform more competitively <sup>[8][9]</sup>.

Numerous studies have examined tourism destination competitive advantages <sup>[10][11][12][13]</sup>, and several significant tourism destination competitiveness models that gained worldwide recognition were perceived as the proper approaches to evaluate tourism destination competitive advantages (e.g., <sup>[14][15]</sup>), and were also tested in differing cases (e.g., <sup>[16][17][18]</sup>). The prior works of literature with regard to competitive and comparative advantages are quite relevant to the business environment <sup>[19]</sup>. With the advancement of human society, the assessment of tourism competitiveness cannot be based only on primary consideration on tourism performance and competitive advantages, but from a more progressive insight. In particular, how to promote the sustainable tourism competitiveness through enhancing entrepreneurship ecosystem <sup>[27]</sup>, constructing the positive relationships between the government and tourism development <sup>[20]</sup>, and optimizing business management environment <sup>[21]</sup> has become a meaningful research issue, which leads to the suitable measures, and a conceptual framework utilized to evaluate a tourist destination competitiveness requires a critical investigation of the literature to identify the sufficient reinforcement of information on the destination business environment (DBE) and destination competitive advantages (DCA). That is, the determinants that affect the competition level of tourism destinations must be essentially related to the competitiveness of tourism-related constituent firms and based on the generic business strategy views identified by Porter <sup>[19]</sup>, Miles and Snow <sup>[22]</sup>, and Stevenson and Jarillo <sup>[23]</sup>.

## 2. Tourism Competitiveness from the Perspective of the Business Environment

To a large extent, the tourism-related business environment significantly affects destination competitiveness from visitor amounts and travel expenditures; it has been considered to be capable of enhancing national competitiveness against other countries <sup>[24][25]</sup>. The business environment could be recognized as the various phenomena owing to the organization control, which embraces a series of resources and actors that influence the forms, management, and fate of firms <sup>[26]</sup>. Compared with tourist perspective, it is more convincing to analyze destination competitiveness from a business perspective, which is supportive because the various stakeholders with rich tourism business experience are the real specialists in formulating accurate decisions and assessing objective investment conditions while complying with local

regulations [24][27]. The most recent research demonstrated that the sustainable destination management inputs and competitiveness are inseparable from technology innovation, business management environment, entrepreneurship, and government supports [28][29][30][20][21][31].

Competitiveness in the business environment has been examined by previous studies. Bourgeois [32] categorized the external environment as the general environment and task environment. The general environment includes economic, political, social, cultural, and ecological status, while the task environment incorporates customers, suppliers, competitors, and regulatory groups [33]. Porter [19] concentrated on industrial structure (task environment) to hinder the business environment estimation from being far-sighted and wide-ranging, and five forces of competitive pressure are roughly asserted, including competition from substitutes, entrants, and established rivals, and the bargaining power of suppliers and buyers. The recent trend in the study of sustainable tourism competitiveness was systematically discussed by Morant-Martínez et al. [30] in terms of entrepreneurship and tourism ecosystem: their study proposed that the entrepreneurship and tourism ecosystem are tightly related with five elements containing markets, policy, finance, human capital, culture, and supporting resources, which majorly incorporate the specific factors such as leadership, government, financial capital, non-government and educational institutions, labor, infrastructures, and networks.

Some literature focused on the associations between destination competition and its influencing factors related to suppliers' viewpoints (e.g., [34]). Although the significance of these factors may vary in different tourism sectors, the customer-oriented service quality, and the cooperation willingness of tourism enterprises in some specific contexts and their cooperative ability of providing value-added services etc. have always been considered to play a vital role [3]. Considering the tourism practitioners, the indicators that require more consideration incorporate the ability and specialization of operating new technologies, availability of products and information, efficiency of services and communication, and related industry support etc. [20]. In particular cases, the substantial factors could include economic strength, the general business environment and strategies, customer demands and market potentials (e.g., China and other Asia Pacific marketplaces), global positioning, industry commitment, government support (e.g., incentive capitals, political stability, and policy-making transparency), accessibility (e.g., transportation), convenience, expenditures, leisure level, corporate community involvement, and corporate green behaviors [20][21][31][34]. Additionally, the empirical studies of factors affecting the price competitiveness of tourism firms also indicated the significance of technology levels, exchange rates, government policies, industry competition, and the penetration of multinational enterprises [1].

### **3. Composite Determinants of Tourism Destination Competitive Advantages**

Destination competitiveness mainly relies on the comparative and competitive advantages of a destination [35]. The previous authoritative literature demonstrated that the significant elements influencing tourism destination competitiveness could be summarized as: (1) key resources and attractors containing physiography, climate, culture, entertainment, and activities/events, etc.; (2) supporting resources incorporating accessibility, infrastructure, tourism superstructure, hospitality, and policies, etc.; (3) destination management involving marketing, information, resource stewardship, finance and venture capitals, crisis/risk estimation, human resource upgrade, visitor administration, staff skills, managerial skills, service, and financial systems, etc.; (4) qualifying and amplifying inputs comprising safety, costs, location, interdependencies, image, finance, venture, and carrying capitals, etc.; (5) the global macro- and microenvironment including demographics, technology, tourism agencies, suppliers, stakeholders, residents, employees/staffs, currency flow, and financial systems, etc.; (6) sustainable drivers of tourism competitiveness embodying philosophy, international vision and positioning, market potentials, industry commitment, corporate community involvement, and green behaviors, etc. [31]. Nonetheless, Dwyer and Kim [36] and Heath [37] addressed that Ritchie and Crouch's study lacks investigation in the crucial indicators of destination competitive advantages (e.g., information supervision and communication), and they further proposed additional diversified determinants that affect the firm's business model in a tourism destination, containing socio-economic, regulatory, and competitive trends (i.e., multinational and local firm competition). Meanwhile, the products and service forms are constantly being influenced by future tourists' demands/preferences and industrial demands [30]. However, Azzopardi and Nash [38] indicated that Dwyer and Kim's model lacks sufficient result reliability and validity. In the research of convention destination, a destination's competitive aspects are often compared to alternative destinations with seven elements: facilities, accessibility, service quality, affordability, location image, climate environment, and attractiveness [39][40][41]. Destination price competitiveness is also recognized as one of the significant factors influencing visitor flow; tourists' sensitivity to prices needs more attention [42].

Owing to the theoretic and practical deficiencies of developing the comprehensive tourism destination competitiveness models, academics struggled to identify the significance and relations of diverse destination competitive determinants [43]. Arguably, the measurement models for destination competitiveness that have been constructed so far

are not very comprehensive and suitable to all tourism destinations, especially in those small and emerging economies with inadequate resources <sup>[17]</sup>. Specifically, Porter's model of competitive advantages <sup>[13]</sup> argued that the role of the tourism business environment cannot be ignored. Tourism destination competitiveness is determined by the incorporation of destination attractions and the business environment that affects the overall tourism performance <sup>[31]</sup>. Competitive advantages depend largely on the capacity of tourism organizations to solidify their investments in the business, to earn the investment return, and to ensure jobs for the future. Unfortunately, it has been recognized that no universal set of measurement scales exists in developing tourism-specific items based on the destination business environment and competitive advantages. Therefore, methodological approaches that capture the main measurement elements of generic business research combined with tourism literature are necessary.

In view of the above-mentioned statements, the examined factors influencing the destination business environment and competitive advantages in the original and most recent studies by scholars from different countries are shown in [Table 1](#), which is summarized into four themes to thoroughly display a strategic and holistic competitiveness measurement for tourism destinations.

**Table 1.** Factors influencing destination competitiveness.

**(1) Macro- and microenvironment and business perspective:**

Demographics, residents, employees, retailers, suppliers, stakeholders, transport companies, competitive trends (multinational and local firm competition), cooperation abilities, general business strategies of international and local firms, overall economic status, government policy support, investment incentives, political stability, tax regimes, legislation and regulation, strong currency, policy-making transparency.

**(2) Sustainable drivers of tourism development:**

Industrial and customer demands (product and service distinctiveness, customer-oriented and niche product/service development, and leisure, etc.), market potentials (China and other Asia Pacific markets, local market demands, and long-term blueprints, etc.), international positioning, industry commitment, corporate community involvement, corporate green behaviors.

**(3) Main drivers of tourism attractiveness and supporting resources:**

Physiography, climate, culture and history, special events and entertainment activities, tourism infrastructure, information supervision and communication, community institutions, accessibility, hospitality, tourism superstructure.

**(4) Destination management and inputs:**

Geographic location, transportation facilities, staff skills, local managerial skills, resource stewardship, safety, costs, image, banking and financial system, finance and venture capital, carrying capital, risk estimation, human resource management, visitor administration, additional infrastructure.

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