

## **Convention Tourism Destination Competitiveness Assessment of Malaysia: a Qualitative Analysis Using Porter Diamond Model**

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**Abstract:** Despite extensive empirical research linking organizational capability and competitiveness in the context of manufacturing companies, little attention has focused on the service sector, particularly the convention tourism sector. Convention tourism represents a growing and most desirable segment in Asia's tourism industry. Many host destinations recognize this high-yield market, thus making the competition in the segment greater. Foresee new opportunities for Malaysia to tap into the convention tourism sector, the identification of the industry's competitive advantages becomes an important step towards successful development in Malaysia. Based on Porter's Diamond model, this paper makes an assessment on the competitive advantages that affect the convention tourism sector. Using qualitative approach, the components are analyzed carefully, comparing the competition among the four key markets in Malaysia namely Kuala Lumpur, Penang, Sarawak and Sabah. Through in-depth interviews with focal industry participants, the responses then have been analyzed using cross-case analysis and develop causal network modeling to visualize the linkages between the elements of convention tourism competitiveness. The results indicate that firm strategy, structure and rivalry; demand conditions; and related and supporting industries contribute to the competitiveness of convention tourism industry. The results also highlighted that factors related to qualified, well-trained human resources and locality access should be considered critically in order to boost the performance of the sector.

**Key words:** Convention tourism • Competitive advantage • Porter's Diamond Model • Causal Network • Case Studies

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### **INTRODUCTION**

Competitiveness is one of the most common concepts employed to investigate the development of tourism industry. d'Hartesse [1] defined competitiveness as the ability of a tourism destination to maintain its market position and share and/or improve upon them through time. Convention host or destination needs to possess equal or surpass competitive advantage to attract potential event organisers and delegates.

In the context of convention tourism industry, competitive advantage helps to establish market

competitiveness for sustainable tourism growth. By examining the competitive advantages, it helps to maintain and strengthen the competitive positions in an increasingly competitive global market. Hassan [2] elaborated that destination competitiveness would appear to be linked to the ability of a destination to deliver goods and services, which perform better than other destinations on the aspects associated to tourism experience that are considered to be important by convention tourists. Hence, the discussion on the industry's competitiveness is increasing due to intensifying competition within the sector.

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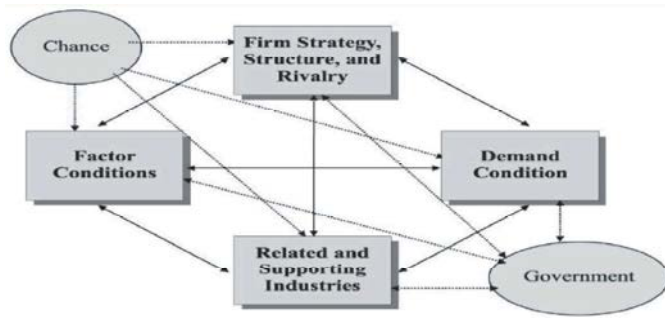


Fig. 1: Porter Diamond Model [4]

### Literature Review

**Convention Tourism in Malaysia:** In 2012, Malaysia welcomed over 1.37 million convention visitors, contributing an estimated RM342 million in visitor expenditure to the local economy (MyCEB, 2013). Although the country has successfully hosted various meetings and conventions, it still lags behind its counterparts such as Singapore, China, Japan and South Korea, as Malaysia has only managed to secure approximately 1% share from the global convention tourism industry. In strengthening Malaysia's convention tourism brand and position in the international convention tourism market, three convention bureaus have been established in Kuala Lumpur, Penang and Sarawak. It is imperative to identify and evaluate its competitiveness, as Malaysia is trying to establish itself as one of the key destinations for convention tourism in Asia. Therefore, this study aims to explore the competitive advantage of Malaysia's convention tourism industry based on four major convention markets in the country, which are Kuala Lumpur, Penang, Sarawak and Sabah.

The Porter's Diamond Model (Figure 1) is a renowned analytical tool developed by Michael Porter for measuring the competitiveness of industry and determining the status of a nation on a global scale. Porter's model evaluates why particular nations have competitive advantage in global competition [3]. The diamond model consists of four determinants: factor conditions, demand conditions, related and supporting industries and firm strategy, structure and rivalry. This study is interestingly grounded to the specific context of market itself, contributes to the originality of study by integrating the Porter's model in its qualitative nature of analysis.

### MATERIALS AND METHODS

A qualitative multiple case study approach is employed based on Porter's Diamond Model for

investigating the competitive advantages of Malaysia's convention tourism industry. Probing for insights and information on Malaysia's convention tourism industry, semi-structured interviews were conducted with several key participants in the country's major convention markets as shown in Table 1.

Face-to-face or over-the-phone interview were conducted with the interviewees, with each interview lasted approximately 60 minutes. For this study, the semi-structured interview questionnaire was developed based on the determinants of Porter's Diamond Model, with a total of nine components were formulated, which comprised the following:

- Factor Conditions (A): (Human Resources (Ai); Physical Resources(Aii); Knowledge Resources (Aiii); Capital Resources (Aiv); Infrastructure (Av)
- Demand Conditions (B)
- Related and Supporting Industries (C)
- Firm Strategy, Structure and Rivalry (D)
- Government (E)

Primary data from interviews, as well as data from secondary sources such as brochures, online newsletter and official websites, is collected. Consistent with Latip & Smyrnios [5], this study adopts the qualitative approach and the analysis process begins with data coding, cross-case analysis and building causal network model. This study explicates the relationship between the determinants of Porter's Diamond Model and competitive advantage through the formulation of a composite causal network model to describe the affiliation. Each variable is linked or associated with other variables to form streams. It is the generation of these streams that demonstrates association or causality that identifies themes and draws for conclusion [6].

Table 1: Selected Participants & Organizations

Name	Position held	Organization	Coding
Sarawak			
Mr. Mike Cannon	Managing Director (MD)	Sarawak Convention Bureau (SCB)	R1
Mr. Paul D'Arcy	Chief Executive Officer (CEO)	Borneo Convention Centre Kuching (BCKK)	R2
Datuk Rashid Khan	Chief Executive Officer (CEO)	Sarawak Tourism Board (STB)	R3
Kuala Lumpur			
En. Zulkefli Hj Sharif	Chief Executive Officer (CEO)	Malaysia Convention & Exhibition Bureau (MyCEB)	R4
Dato' Mirza Mohammad Taiyab	Director General (DG)	Tourism Malaysia (TM)	R5
Datuk Peter Brokenshire	General Manager (GM)	Kuala Lumpur Convention Centre (KLCC)	R6
Sabah			
Ms Cynthia Chung	Senior Corporate Services Manager	Sabah Tourism Board (STB2)	R7
Ms Angela Jung	Senior Sales Director	1Borneo Ballroom	R8
Penang			
Ms Evelyn Toh	Manager of Tourism Bureau	Penang Global Tourism Sdn Bhd (PGT)	R9
Ms Yeoh Kheng Ho	Senior Manager	Subterranean Penang International Conference and Exhibition Centre (SPICE)	R10

## RESULTS AND DISCUSSION

The present four cases explored the nine themes affiliated with competitive advantages, which are discussed below. Figure 2 presents a composite causal network model, which incorporates five main determinants based on the Porter's Diamond Model to describe the criteria affecting the competitiveness of convention tourism industry in Malaysia. It draws together the outcomes of four case studies and shows how all determinants are interlinked and interacted with each other.

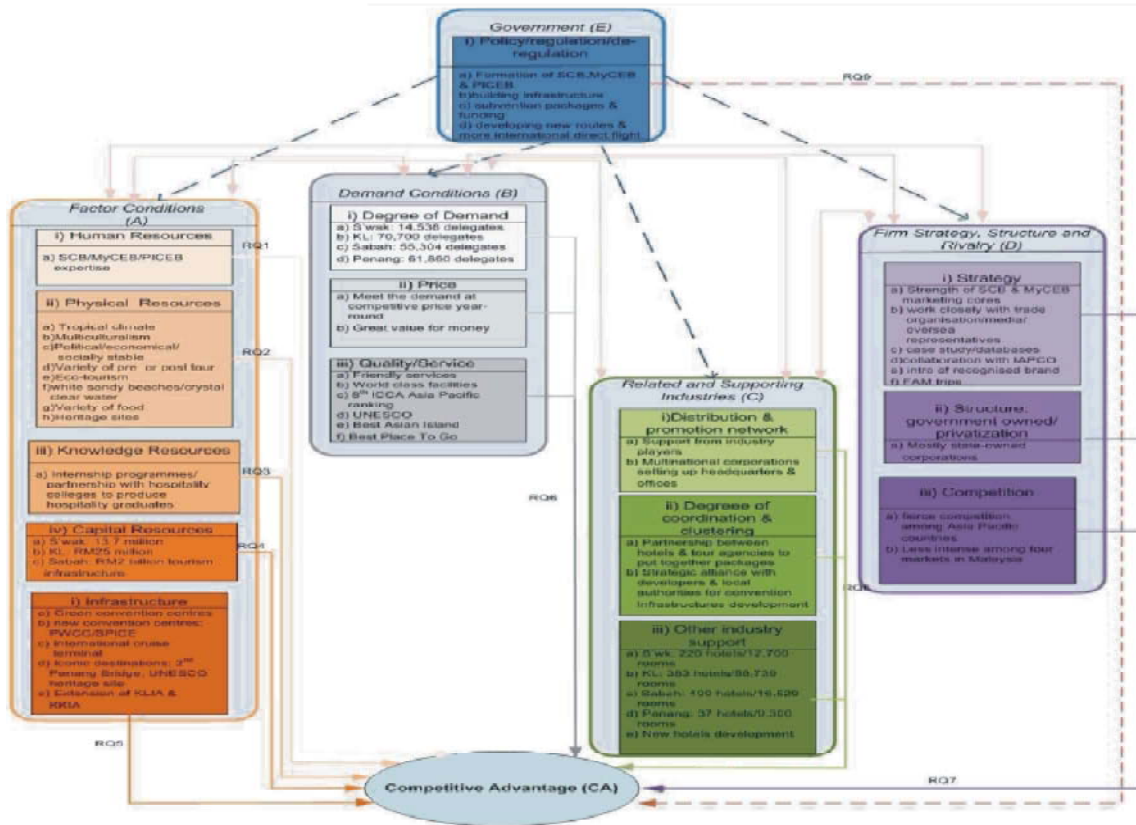
**Factor Conditions (A):** Specialized resources are often specific for an industry and important for its competitiveness. There is no doubt that Malaysia is blessed with abundance of most basic *Physical Resources (A<sub>i</sub>)* that position Malaysia as an attractive proposition for holding conventions. These natural physical resources are rare and not readily imitable by competitors. On the other hand, some of the similar competitive disadvantages faced by all four markets are identified to be lack of *Human Resources (A<sub>j</sub>)* and *Knowledge Resource (A<sub>iii</sub>)*.

**Human Resources (Ai):** With the establishment of convention bureaus (A<sub>ia</sub>) in three cities (i.e., Kuala Lumpur, Penang and Sarawak), Malaysia currently rely on those dedicated agencies to promote and develop convention tourism in Malaysia (A<sub>i</sub> → CA). However, insufficient human resources appear to be a critical factor restricting the development of this industry. The shortage of highly-skilled convention professionals in the industry has been highlighted in all interviews in all the four case studies. Specifically, R1 indicated that *Sarawak has*

*insufficient highly skilled convention professionals*. Similar views also were pointed by R5 (Kuala Lumpur), R9 (Penang) and R8 (Sabah). As such, competitiveness of convention tourism is highly influenced by the expertise of convention professionals such as in winning business bids, there is a significant need to resolve the human resources issues. Education and training of convention tourism professionals hence needs to be emphasized in order to further improve and drive the convention tourism industry.

**Physical Resources (Aii):** The findings indicate that the advantages of Malaysian convention tourism that related to *Physical Resources (Aii)* include tropical climate (A<sub>ii</sub>a), multiculturalism (A<sub>ii</sub>b), politic/economic/social stability (A<sub>ii</sub>c), variety of pre or post tour (A<sub>ii</sub>d), eco-tourism (A<sub>ii</sub>e), white sandy beaches/crystal clear water (A<sub>ii</sub>f), variety of food (A<sub>ii</sub>g) and heritage sites (A<sub>ii</sub>h) that qualify as competitive advantages.

In Penang for example, R10 said the island has *friendly people, great food, mixed culture and its heritage status*. He also added that *Penang has a lot of interesting places to visit, like the beach and the heritage enclave*. The possession of these physical resources is important for the benefit of the convention delegates, which directly affects the demand for convention tourism in these localities (A<sub>ii</sub> → CA). For example, local tour that features natural tourism products, premier commercial areas, heritage sites and local culture such as cuisine and art are attractive to the convention delegates, thus the availability of these resources influence the decision of client (convention) in choosing its destination (host). Therefore, localities with more physical resources gain competitive advantages over other localities in attracting demand from conventions.



Adapted from Porter (1990; 1998)

Fig. 2: Composite Causal Network Model

**Knowledge Resources (Aiii):** Summarizing the four individual case studies, the industry is still perceived to be young and time is needed to develop competitive advantage in terms of *Knowledge Resources (A<sub>iii</sub>)* through education programs and accumulation of experience in convention tourism. R7 indicated that *there should be more convention tourism professional knowledge and skills to be nurtured and cultivated*. In responding to such demand, industry participants can provides internship program to students to produce more hospitality students (A<sub>iii</sub>). For example, in the case of STB, the organization provides internship to students from local college in planning and managing international events such as Rainforest World Music Festival. Through such programmes, skill demand from the industry can be met, thus providing enough knowledge resources to develop and sustain the convention tourism industry efficiently (A<sub>iii</sub> → CA).

**Capital Resources (Aiv):** In all the case studies, the interviewees recognise the importance of having

sufficient financial capital. In this context, all markets (except Penang) possess prime competitive advantage in terms of sufficient financial capital in the industry. These include the provision of facilities/infrastructure and funding that is allocated for tourism development in Sarawak (A<sub>iv</sub>), Kuala Lumpur (A<sub>iv</sub>) and Sabah (A<sub>iv</sub>). In Penang however, *there are limited capital resources such as budget, fund and other types of financial support being allocated for tourism development*, as perceived by R9. Sufficient financial capital influences the smooth operation and the development of convention tourism industry such as in securing business event (A<sub>iv</sub> → CA).

**Infrastructure (Av):** The four cases also showed that *Infrastructure (A<sub>v</sub>)* influences demand in the convention tourism industry. The availability of green convention centres (A<sub>v</sub>), new convention centres such as PWCC and SPICE (A<sub>v</sub>), international cruise terminal (A<sub>v</sub>), iconic destination such as 2<sup>nd</sup> Penang bridge and UNESCO heritage site (A<sub>v</sub>) and extension of KLIA and KKIA (A<sub>v</sub>) are regarded as important factors to advance industry

development and growth. This is due to the fact that such infrastructure development increases marketability of a market such as accessibility and ability to meet demand ( $A_v \rightarrow CA$ ). However, interviewees also indicate that improvement on direct international flight access, public transportation and public amenities are definitely needed to further support and advance the convention tourism industry in Malaysia. For example, R4 said that *public transportation needs to be enhanced to raise Kuala Lumpur's international profile*. Similar view are also shared by R1 and R2 (Sarawak), R10 (Penang), R7 and R8 (Sabah). The improvement of these infrastructures is important to raise a market's marketability before it can become a premier convention destination.

**Demand Conditions (B):** Price, quality and service need to be regarded as a basis for survival within a globally competitive marketplace [7]. With regards to Malaysia's convention tourism, all four markets are able to meet demand ( $B_i$ ) in terms of price ( $B_{ii}$ ), quality and service ( $B_{iii}$ ). Although *Kuala Lumpur is perceived to have stronger demand*, overall, all major markets are able to attract quite significant number of convention delegates, proving their ability to meet demand ( $B_i \rightarrow CA$ ). In addition, interviewees are also shared similar views that their respective market possesses competitive advantage in terms of the ability to offer competitive pricing and excellent high quality services such as international class accommodation and convention facilities ( $B_{ii}, B_{iii} \rightarrow CA$ ). For instance, R9 said that *value for money is [an] important consideration for convention delegates....Quality that ensures value for money is the cornerstone of convention delegates' satisfaction*.

**Related and Supporting Industries (C):** The relationship between the four convention tourism markets and the related supporting industries are largely characterised by close working relations and ongoing coordination with industry stakeholders. This includes support from industry players ( $C_{ia}$ ), multinational corporations setting up headquarters and offices ( $C_{ib}$ ), partnership between hotels and tour agencies for package development ( $C_{iia}$ ), strategic alliance with developers and local authorities for convention infrastructure development ( $C_{iib}$ ), as well as the availability of hotel ( $C_{iii}$ ).

Collaboration among industry stakeholders is crucial to ensure the availability of resources needed, as well as creating competitive advantage ( $C_{ia}, C_{ib}, C_{iia}, C_{iib}, C_{iii} \rightarrow CA$ ). This is consistent to Kubickova, & Li, [8] that tourism competitiveness is influenced by the stage of tourism development of the country. While tourists, destination

marketers and those within the industry are certainly important stakeholders, residents are also important tourism stakeholders as they are the ones whose daily lives are impacted by the tourism industry [9].

Nonetheless, the analysis of data suggests that working relationship among the stakeholders still remains weak and can be further improved towards successful development of convention tourism industry in all four markets. In the case of Sarawak for example, R1 elaborated that *the industry still needs improvement in every aspect, it could be much better and education is needed to help the various stakeholders to see the greater picture and the roles and supporting roles that each of them is playing in relation to the others*. Similar view also shared by R7 and R8 (Sabah) and R9 (Penang). Cooperation between relevant stakeholders in private and government sectors also could be further enhanced to ensure strong development of the industry in all four markets.

**Firm Strategy, Structure and Rivalry (D):** Mihaliè [10] shows that appropriate managerial efforts in field marketing activities are a significant influence in enhancing tourism destination competitiveness. Meanwhile, Vasconcelos and Cyrino (2000) suggest that competitiveness of a firm is closely related to its structural internal environment and external environment. From the analysis of in-depth interviews, *Firm Strategy, Structure and Rivalry (D)* are significant success factor in convention tourism industry. Kuala Lumpur, Penang, Sarawak and Penang display differences in applying unique capable strategies ( $D_i$ ) to winning bids and sustaining competitive advantage. With the establishment of SCB and MyCEB, Sarawak and Kuala Lumpur seem to have formed a stronger basis in deliberating distinctive marketing strategies and realizing its fullest potential for synergistic growth. Other examples includes working closely with trade organization (Sarawak), collaboration with IAPCO (Kuala Lumpur), conducting joint tourism promotion (Penang, Sabah) and establishing an internationally recognised brand (Sarawak, Sabah) ( $D_i \rightarrow CA$ ).

In terms of structure ( $D_{ii}$ ), the market is characterized by the leading role of government-owned corporations such as convention tourism corporations, developers and owners of hotels ( $D_{ii} \rightarrow CA$ ). Private sector involvements are rather limited in all four markets. Meanwhile, in term of competition ( $D_{iii}$ ), although it is less intense among four markets in Malaysia, the level of rivalry among regional markets is fierce. Such competition leads to pressure on firms to remain competitive ( $D_{iii} \rightarrow CA$ ).

**Government (E):** Some of the specific fields that the *Government (E)* should focus on include education, research, infrastructure development and trade policy, in order for firms to prosper [11, 8]. The Malaysian government has been involved in many of these areas; in the creation of SCB, PICEB and MyCEB ( $E_{ia}$ ), building infrastructure ( $E_{ib}$ ), assisting conventions by providing subvention packages and funding ( $E_{ic}$ ), encouraging more international direct flights and developing new routes ( $E_{id}$ ). By doing the above, the government has set down strong groundwork for improving the competitiveness of convention tourism industry ( $E_{ia}$ ,  $E_{ib}$ ,  $E_{ic}$ ,  $E_{id}$  → CA). In addition, it also found that the government's role has a significant influence on all other determinant of Porter's Diamond Model. In line with the work by Shone, Simmons, & Dalziel, [12], these initiatives taken by the Malaysian Government are consistent to the changing role of the state in destination governance, yet to accommodate the expanded tourism-provider role of local government under an evolving neoliberal public policy framework

### CONCLUSIONS & IMPLICATIONS

The present study shows how the competitive performance of the Malaysian convention tourism industry can be analysed using Porter's Diamond model. Deriving from components of the Diamond model, the competitive advantages that affect the convention tourism sector in four major markets, Kuala Lumpur, Penang, Sarawak and Sabah, are identified. Through in-depth interviews with focal participants, data are analysed using cross-case analysis and thematic analysis to compare the competitiveness of convention tourism in these four markets. Similarities and differences among them are evaluated and a number of conclusions drawn. The results also suggested that related and supporting industries, firm strategy, structure and rivalry and demand conditions contribute to the competitiveness of convention tourism industry. Firm's strategies, structures and rivalry also play an important role in its competitiveness and can become a source of competitive advantage. Some competitive advantages which Malaysia currently possesses include physical resources such as natural environments, multiculturalism, variety of foods and heritage sites, as well as capital resources and government support. Despite a number of state-of-art infrastructure that it currently has, Malaysia still needs to improve certain aspect of infrastructure and facilities such as public transportation and air connectivity. In terms of human resources, all four markets face a number of similar

competitive disadvantages in terms of insufficient human resources and knowledge resources, thus making the development of talent pool through education and training a priority. In addition, cooperation between relevant stakeholders also should be improvised.

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