Tourism Development: Understanding and Effectively Managing Corruption

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TOURISM DEVELOPMENT

Towards a ‘Healthy’ Developing Economy
Tourism Development Potential

*It Pays to Invest in Tourism*

**EU TOURISM EMPLOYMENT**

(IN 000 JOBS)

**EU TOURISM CONTRIBUTION TO GDP**

(US$ IN BN - REAL PRICES)

Every $1.00 invested in tourism generates $8.55 in tourism income (tourists’ spending)!

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* Data Source: World Travel and Tourism Council (2015)
A Simple Model of Tourism-Led Economic Growth: *Chicken-Egg Question*

Tourist Spending

Tourism Investment

Economic Impact (Contribution to GDP)

Developing Countries / Transitional economies?

* World Travel and Tourism Council (2015)
Tourism – A Viable Way Out of Poverty?

3 Key Questions...

To what extent is a country in a position to attract foreign investment for the development of tourism?

To what extent does tourism contribute to the economy of a country?

To what extent are tourists willing to visit a country and spend money outside the confines of their ‘protected’ resorts?
The effect of political stability and Regulatory Framework is not decisive (Steiner, 2010; Cristea, 2014)

Tourism seems indeed ‘forgiving to the potential ails’ of a developing economy and justifiable as an economic development strategy!

There is insufficient evidence connecting criminality and safety issues to tourists’ spending (Brunt, 2000; Larsen et al, 2009)
Tourism presents significant economic prosperity potential and is very resilient to the inherent structural problems of developing economies.
TOURISM GROWTH ≠ ECONOMIC DEVELOPMENT

The Symptoms and Causes of the ‘Beach Disease’
Tourism – Beach Disease Effect? 
... There is still a ‘Catch’!

The effect of political stability and Regulatory Framework is not decisive (Steiner, 2010; Cristea, 2014)

The expected benefits of tourism often fail to materialise and there is variability in the tourism competitiveness (Che Chou, 2013; Inchausti-Sintes, 2015)

There is insufficient evidence connecting criminality and safety issues to tourists’ spending (Brunt, 2000; Larsen et al, 2009)
‘Beach Disease’ and Corruption

Tourism Investment ‘Leakages’

Key Governance Instruments

Infrastructure Investment → Leakage: ‘Political Clientism’ → Tourism Taxation

Tourism Investment → Leakage: Tax Evasion / Black economy → Tourist Spending

To what extent is tourism-generated income invested appropriately?

Key Spending Drivers

Industrial Development → Domestic Tourist Spending
Some Examples of Anti-Corruption Measures...

Do they help tourism development?!
Effective taxation and tax-evasion prosecution is not enough! Investment transparency and domestic prosperity are essential.
TOURISM INVESTMENT ≠ TOURISM GROWTH

The ‘Beach Disease’ Stigma and Side-Effects
### ‘Tourism Performance and Corruption’ Hypothesis Testing

<table>
<thead>
<tr>
<th>Corruption Perception Index Score</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>Domestic Tourism Spending</th>
<th>International Tourism Spending</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>.207*</td>
<td>.031</td>
<td>.225*</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

***. Correlation is significant at the 0.05 level (2-tailed).


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* Source: http://files.transparency.org/content/download/1856/12434/file/2014_CPIBrochure_EN.pdf
There is a relationship between review-rating and review-impact: The Pearson correlation test resulted to a value of: -0.136 which was significant at the 0.05 level. Simply stated, the lower the review rating, the higher the review-impact and vice versa.
The most frequently-mentioned incidents are directly related to tourism... Tourism professionalism

Battling corruption-incidence occurrence in Amenities and Attractions could eliminate 70% (88/125) of unfavourable reviews (1-3 star ratings)
Ensuring that the ‘Money is used correctly and wisely’

Key Governance Instruments
- Infrastructure Investment
- Leakage: ‘Political Clientism’
- Tourism Taxation
- Leakage: Tax Evasion / Black economy
- Leakage: Bribery

Key Spending Drivers
- Tourism Investment
- Tourist Spending
- Industrial Development
- Domestic Tourist Spending

Ensuring that the ‘Money keeps coming’

Tourist Experience & Satisfaction
- ‘Flow Blocker’: Lack of Professionalism & Support
- Intention to Visit & Revisit
- ‘Flow Blocker’: Tourist Victimisation Incidents
- Holiday Destination Reputation
- ‘Flow Blocker’: Negative eWOM

From ‘Waterproof’ Tourism Investment...
.... to Sustainable Tourism Growth
Hospitality is a Promise and depends on Reputation and Trust! Tourism-related Corruption destroys both.
Larsen et al. (2009):
• Actual tourists are less concerned about crime than potential tourists and that their focus is mostly on petty crime (e.g. theft)

George (2010):
• Despite own safety concerns, tourists are likely to **revisit and recommend** a holiday destination to others.

Boakye (2010):
• Tourists’ feeling of safety and security do not depend so much on the visibility of uniformed personnel, but mostly on **perceptions of order and professionalism** in their surroundings

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Do tourist feel they can effectively react and get support when something happens?

Do local’s practices towards tourists demonstrate professionalism?
Safe-Guarding Reputation
The ‘Tourism-Corruption Staircase’

Incident Occurrence:
- Incident of victimisation - exploitation (e.g. intimidation, fraud)
- Authority Involvement (e.g. police, security officials)
- Corruption Annoyance

Tourism Professionalism:
- Service Failure
- Expectation Failure

Active Reactions:
- Anti-corruption activism (i.e. warning to others, social media defamation and further communication-related escalation)
- Own-participation / involvement in corrupt – and even illegal / criminal counter-practices (e.g. not paying, providing false data)

Passive Reactions:
- Stereotype Formation & Reinforcement
- Anti-Corruption Advocacy
- Heritage Depreciation
- Anti-Corruption Empathy
- Corruption Attraction - Storytelling

Destination Reputation Impact / Costs

Proaction Domain | Reaction Domain
Tourism Professionalism may not eliminate corruption... But is limits its negative impacts on guests’ overall holiday satisfaction!
PUTTING ALL-TOGETHER

Cure and Prevention of the ‘Beach Disease’
Recommended Political Measures for Effective Tourism Development

**Causes**

- Leakage: Tax Evasion / Black economy
- Leakage: ‘Political Clientism’
- Leakage: Bribery
- ‘Flow Blocker’: Lack of Professionalism & Support
- ‘Flow Blocker’: Tourist Victimisation Incidents
- ‘Flow Blocker’: Negative eWoM

**Counter-Measures**

- Transparency-related Regulations & Standards
- Public Administration Automation (ICT’s)
- Legal anti-corruption incentives (elimination of perverse incentives – esp. Tax-related)
- Tourism Education (Applied Science) – ‘Tourism Profession’
- Sustainability Regulations (e.g. City Planning)
- Health & Safety Standards
- Local Authority Support (Tourist Support Structures & Professional Standard Implementation / Controlling)

**Outcomes**

- Effective Tourism Investment
- Safeguarding Tourism Reputation

**Result**

Economically-Sustainable Tourism Development
There is **no part of the world where corruption is absolutely eliminated.**

Olusegun Obasanjo *

... But once understood, it can be **effectively managed!**

A people that elect corrupt politicians... are not victims... but accomplices.

George Orwell
Research Functions:
- Founder & Chairman of the Cruise Research Society (http://www.cruiseresearchsociety.com)
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- Chairman of the CTM Examinations Committee
- Member of the CTM Study Affairs Committee