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## Article

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*Suggested Citation:* Idisondjaja, Boy Bayu; Wahyuni, Sari; Turino, Harris (2023) : The role of resource structuring, marketing, and networking capabilities in forming DMO orchestration capability toward sustainable value creation, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 10, Iss. 3, pp. 1-28,  
<https://doi.org/10.1080/23311975.2023.2288381>

This Version is available at:

<https://hdl.handle.net/10419/294779>

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To cite this article: Boy Bayu Idisondjaja, Sari Wahyuni & Harris Turino (2023) The role of resource structuring, marketing, and networking capabilities in forming DMO orchestration capability toward sustainable value creation, Cogent Business & Management, 10:3, 2288381, DOI: [10.1080/23311975.2023.2288381](https://doi.org/10.1080/23311975.2023.2288381)

To link to this article: <https://doi.org/10.1080/23311975.2023.2288381>



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Received: 08 August 2023  
Accepted: 15 November 2023

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Reviewing editor:  
Ansar Abbas, Management,  
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## MANAGEMENT | RESEARCH ARTICLE

# The role of resource structuring, marketing, and networking capabilities in forming DMO orchestration capability toward sustainable value creation

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**Abstract:** The study investigates the formation of Destination Management Organization (DMO) orchestration capability under the influence of environmental forces to achieve sustainable value creation. The study suggests that the DMO's orchestration capabilities, encompassing resource structuring, marketing, and networking capability, significantly influence the achievement of sustainable value creation as a strategic destination performance. Networking capability, in particular, plays a vital role as a mediator in this process. Social-cultural preservation becomes the primary concern of DMOs in their efforts to attain sustainable value creation. Notably, environmental forces significantly affect destination orchestration capabilities, except for marketing capability, which the unprecedented research context may influence. The study surveyed respondents who are top management executives of DMOs, encompassing 153 DMOs from various destinations in Indonesia. The novel findings of this study empirically establish that integrating three core capabilities—resource structuring, marketing, and networking—shapes the orchestration capabilities of Destination Management Organizations (DMOs) in response to environmental pressures. It extends and enhances our understanding of the determinants of destination management that lead to the strategic performance goal of



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sustainable value creation. From a managerial standpoint, the role of a destination organization's manager is pivotal in the comprehensive development and shaping of the three pillars of orchestration capability. Mere mastery and practice of one of these pillars, or the neglect of any, amplify the risk of failing to attain the desired sustainable value creation. The research context in Indonesia, as a developing country with a noteworthy surge in the tourism sector, lends significant relevance to this study.

**Subjects:** Sustainable Development; Business, Management and Accounting; Tourism

**Keywords:** DMO; orchestration capability; resource structuring capability; marketing capability; networking capability; sustainable value creation; and environmental forces

## 1. Introduction

The tourism destination is undergoing substantial transformative changes driven by various forces. Several vital forces driving change include shifts in visitor behavior, leading to increased demands and expectations, the growth of the tourism industry, heightened competition, evolving government policies, negative impacts of tourism, and emerging capacity-related issues requiring collaborative action from diverse stakeholders (Hartman et al., 2020; Peeters et al., 2018). The ascent of information-communication technology stands as a significant game-changer in the future of destinations (Jovicic, 2019; Kumar, 2020). A competitive geographic position, the history of the global tourism industry, inherited natural and cultural resources, and non-economic competitive drivers also shape changing pressures on destinations (Paunović et al., 2020). Those circumstances encourage intense competition between tourism destinations, manifesting as a more complex phenomenon intertwining various elements.

The tourism system highlights the profound impact of macro and micro environmental forces on destinations (Mikulić, 2020; Ritchie & Crouch, 2003). The macro-environment includes economic restructuring, demographic shifts, politics, technology, and a growing focus on environmental sustainability. In contrast, micro-environmental forces encompass all elements directly shaping a destination, prompting it to adapt and compete, including within the tourism industry (Ritchie & Crouch, 2003). These forces are rooted in three core natural characteristics: munificence, dynamism, and complexity (Chen et al., 2017; Dess & Beard, 1984). Environmental forces, encompassing sustainability, climate change, resilience, and technological adoption issues, will shape the future perspective of destination management, integrating it into a broader system (Fyall & Garrod, 2020). Furthermore, a destination is a focal point for tourism activities, involving diverse stakeholders engaged in intricate social interactions. The interplay of dynamic external forces mentioned earlier, and intense social interaction heightens the complexity of destination management.

The destination comprises widely distributed resources, including inherited resources, as suggested by Dwyer and Kim (2003), and those held by various stakeholders such as residents, local businesses, associations, communities, public bodies, and external organizations, as Camisón et al. (2016) mentioned. These resources, considered a strategic asset, are vital for exceptional organizational performance (Barney, 1991; Nason & Wiklund, 2018; Peteraf, 1993). Nevertheless, it is essential to note that resources, in isolation, do not automatically generate rent or secure a competitive advantage (Grant, 1991). Capabilities, as highlighted by Asiaei et al. (2021), Suddaby et al. (2020), and Nason and Wiklund (2018), play a pivotal role in effectively managing organizational resources and enabling a range of activities. These capabilities take two forms: ordinary capability, associated with routine operations (Helfat & Peteraf, 2003; Teece, 2007), and dynamic capability, which encompasses processes for resource integration, reconfiguration, acquisition, and release to adapt to and even shape market changes (Eisenhardt & Martin, 2000; Teece, 2007; Zollo & Winter, 2002). Moreover, Sainaghi et al. (2019) extended this concept to the tourism field, defining *destination*

*capability* as “the ability of destination actors to integrate, reconfigure, and release distributed resources and competencies to generate successful new products” (p. 2).

Destination resources and capabilities are crucial for managing destinations and addressing challenges within the dynamic tourism industry. The collective ability to integrate and reconfigure distributed resources and capabilities is a significant task for tourism destinations (Haugland et al., 2011). Resources and capabilities are pivotal in influencing destination management and competitiveness (Fyall & Garrod, 2020; Sainaghi et al., 2019). Contextual factors significantly impact organizational resources and capabilities (Bhatt et al., 2020; Dakare et al., 2019; Helfat, 2015; Salvato & Vassolo, 2018). In destination management, a significant challenge arises due to the dispersion of resources and capabilities among destination entities, including stakeholders. The destination needs to establish a value-creation system that goes beyond organizational boundaries and involves multiple stakeholders (Haugland et al., 2011). This entails the integration of numerous dispersed resources within the destination area through a collaborative strategy that engages various actors (Baggio & Sainaghi, 2016). Orchestration capability emerges as a dynamic managerial skill rooted in Resource Orchestration Theory, synthesizing resource management principles from Resource-Based Theory and asset orchestration concepts from Dynamic Capability Theory to optimize value creation within dynamic environmental contexts (Sirmon et al., 2007, 2011). Furthermore, Shi and Shen (2021) propose that network orchestration, derived from dynamic capability, alongside resource orchestration, constitutes the central pillar of orchestration capability. In achieving sustainable value creation, orchestration capability develops through resource structuring and configurational-deployment capabilities (Helfat et al., 2007; Sirmon et al., 2011).

The Destination Management Organization (DMO) primarily oversees and enhances a thriving destination, focusing on ensuring visitor satisfaction (Pearce, 2015; Pike, 2021; Varghese & Paul, 2014). The DMO orchestrates diverse stakeholder interests to bring the destination’s vision and objectives to fruition, leading and harmonizing a wide range of activities through a unified strategy, leveraging resources and expertise for progress (Beritelli et al., 2015; Hristov & Zehrer, 2015). Additionally, the DMO functions as both an inter- and intra-organizational entity (Holešinská, 2013), playing a central role in advancing destination capabilities. In response to increasing environmental pressures and the need to handle multifaceted tasks, DMOs must excel in orchestrating capabilities at both inter- and intra-organizational levels to manage resources and capabilities for achieving destination strategic success (Volgger et al., 2021). This involves incorporating ordinary and dynamic capabilities for routine activities and effectively addressing changes (Cui et al., 2019; Ness & Haugland, 2022; Shi & Shen, 2021). However, the suite of dynamic capabilities is highly context-dependent (Jørgensen, 2016; Murray et al., 2022).

However, empirical research on how DMO orchestration capabilities are formed and their constituents remains limited (Bornhorst et al., 2010; Foris et al., 2020; Murray et al., 2022). Prior studies have extensively examined DMO marketing capabilities (Lubowiecki-Vikuk & Sousa, 2021; Morrison, 2013; Pike, 2021). However, these capabilities have yet to be sufficiently explored empirically as part of DMO orchestration capabilities, encompassing configurational and deployment capabilities. Additionally, DMOs’ multifaceted tasks involve managing various stakeholder interests, underscoring the need for a deeper understanding of networking capabilities, a critical element of orchestration capability (Nguyen et al., 2022; Perkins et al., 2020). Leveraging diverse destination resources can benefit DMOs if they excel in resource engineering (Dwyer & Kim, 2003; Ritchie & Crouch, 2003), highlighting the underexplored necessity of mastering resource structuring capability, a fundamental aspect of orchestration capability. Thus, further investigation into the formation of DMO orchestration capability, its constituent components, and the interactions among these components for successful destination management is crucial.

The success of destination management hinges on the DMO’s performance in achieving common goals (Asiaei et al., 2021; Rehman et al., 2019; Ritchie & Crouch, 2003). This performance,

encompassing economic, social, and environmental dimensions, is a strategic accomplishment for sustainable superiority (Cronjé & du Plessis, 2020; Hanafiah et al., 2016; Paunović et al., 2020). Resource orchestration theory connects sustainable value creation to superior organizational strategic performance (Sirmon et al., 2007, 2011), while Flagestad and Hope (2001) introduced the concept of Sustained Value Creation to denote a destination's strategic success. The relationship between DMO success factors and destination success is crucial to investigate (Evans, 2016; Ness & Haugland, 2022; Sainaghi et al., 2019; Volgger & Pechlaner, 2014). Further exploration is warranted to understand the connection between DMO orchestration capability for achieving organizational success and sustainable value creation as a measurement of strategic destination success.

Drawing on prior research in destination management and DMO development, as discussed above, and inspired by resource orchestration theory in strategic management, this study aims to investigate the establishment of DMO orchestration capabilities influenced by environmental forces to achieve sustainable value creation. It formulates testable hypotheses concerning the interplay among resource structuring, marketing, and networking capabilities and their impact on sustainable value creation under environmental forces. These capabilities constitute vital components of structuring and configurational-deployment capabilities within DMO orchestration. Additionally, the study explores the practical implications of these capabilities on destination development.

## 2. Literature review and concept framework

### 2.1. The dynamic environmental forces and organizational relations

The relationship between an organization and its environment is a critical aspect that has garnered scholarly attention. An environment can be seen as everything that lies outside an organization and impacts the decision-making process through complex relations among stakeholders, inter-organizational networks, and conditions and trends in the environmental sectors (Hatch & Cunliffe, 2009; Meinhardt et al., 2018). These relations allow an organization to acquire various resources and capabilities needed for its sustainability, such as raw materials, financial and capital aspects, human capital, knowledge and learning, market, and many more (Al Amiri et al., 2019; Freeman, 1984; Frishammar, 2006; Kimiti & Kilika, 2018). It could derive power over the organization from the dependence resulting from the environment-organization relationship to create excellent products/services, set competitive prices, and build efficient organizational structures and processes (Pfeffer & Salancik, 1978).

On the other hand, the organization's capability will respond actively to environmental changes through an adaptation process (Carroll & Hannan, 1995; Hannan & Freeman, 1977). Environmental forces influence an organization in two different ways: (a) Economic, technical, and physical factors drive the organization to produce and exchange goods/services within a specific or quasi-market; (b) Social, cultural, political, and legal requirements encourage an organization to have a particular role in society and maintain a physical presence (Powell & DiMaggio, 1991; Scott, 1987, 1992). In addition, Hitt et al. (2017) suggest that environmental forces come from three formations, namely, the macro environment as a broader society that influences the industry and the organization (PESTEL), the industry environment (including customer behavior) that affects an industry's potential profitability, and the competitive environment. These forces operate under three possible environmental conditions: environmental dynamism, complexity, and munificence (Dess & Beard, 1984) that impact the organization's life (Chen et al., 2017; Okeyo, 2014). The prior studies by Kimiti and Kilika (2018) and Sirmon et al. (2007, 2011) indicate that external environmental factors play a pivotal role in determining decisions regarding resource utilization. Environmental elements concurrently affect both organizational strategy and operational functional performance (Azadegan et al., 2013).

Based on the above discussions, the organizational environment inevitably shapes organizational resources and capabilities. Organizations must develop distinctive approaches to interact



with and respond to diverse environmental influences. Ultimately, these influences will impact organizational performance in establishing a competitive advantage.

### 3. Organizational capabilities and resource orchestration theory

Organizational capabilities emerge as a primary component of competitive advantage alongside asset resources (Nason & Wiklund, 2018; Suddaby et al., 2020; Zollo & Winter, 2002). As defined by Amit and Schoemaker (1993), organizational capability encompasses the ability or capacity to deploy organizational resources (tangible/intangible), perform tasks, improve, and achieve exceptional performance. Moreover, organizational capabilities extend to enhancing resource value and sustainability (Asiaei et al., 2021; Helfat & Peteraf, 2003; Mu et al., 2017). It solves complex problems using rigorous routines to build organizational learning and dynamic capacities (Laaksonen & Peltoniemi, 2018; Salvato & Vassolo, 2018; Wang & Ahmed, 2007; Whitley, 2019). Therefore, they reflect the organization's resource deployment ability by performing selected activities to reinforce performance (Rehman et al., 2019; Sakhartov & Reuer, 2022) and determine the ability to change effectively (Asiaei et al., 2021; Barney, 1991; Magasi et al., 2020; Teece, 2018).

Scholars have previously acknowledged the significance of context in cultivating organizational capabilities. Contextual factors influence organizational resources and capabilities (Bhatt et al., 2020; Helfat, 2015) that are bound to specific types of context-problem configurations as a manifestation of a successful response to historical challenges (Bhatt et al., 2020; Dakare et al., 2019; Salvato & Vassolo, 2018). Organizational capabilities are subject to degradation over time under volatile market circumstances (Helfat, 2015; Kurtmollaiev, 2020; Shi & Shen, 2021). Thus, continuous adaptations in capability development may be necessary to navigate diverse competitive landscapes.

With increasing dynamic environmental forces and complex social-network relations, mastering a capability to orchestrate organizational resources and capabilities becomes imperative to gain a sustainable competitive advantage (Cui & Han, 2022; Shi & Shen, 2021). Orchestration capability requires a dynamic series of management activities (Shahabi et al., 2020; Suddaby et al., 2020) that involve the coordination of multiple interests and the establishment of stakeholders' goals (Cui & Han, 2022; Parida et al., 2017). To navigate dynamic changes and their impact on organizational resources and capabilities, Sirmon et al. (2011) introduced Resource Orchestration Theory (ROT), synthesizing two fundamental theories: resource-based and dynamic capability theories.

Resource orchestration theory (ROT) encompasses resource structuring and configurational-deployment capabilities, refining the process of configuring resource portfolios, aligning resource formations, and deploying abilities to create value within dynamic environmental contexts. It elucidates the reciprocal relationship between resources and capabilities in creating value for sustained competitive advantage (Andresen, 2020; Badrinarayanan et al., 2019; Sirmon et al., 2007, 2011). Moreover, it clarifies why some organizations outperform others with similar resources (Choi et al., 2020; Kristoffersen et al., 2021; Sirmon et al., 2011) by comprehensively incorporating three capability groups in feedback looping process, actively interacting with one another, i.e., structuring, bundling, and leveraging capabilities influenced by environmental forces to attain value creation for customers and owner wealth creation. The structuring capabilities acquire resources from the market, accumulate resources internally, and divest undervalued ones. The bundling capabilities involve utilizing existing resources (stabilizing), broadening existing resources (enriching), and integrating new resources into current resource portfolios (pioneering resources). Finally, those resource sets must exploit market opportunities through leveraging capabilities that cover mobilizing, coordinating, and deploying capabilities.

ROT provides more insights into practical managerial actions in developing and leveraging organizational resources and capabilities (Bridoux et al., 2013; Chirico et al., 2011) to influence performance through asset structuring and deployment activities, delivering value for customers and owners (Ireland et al., 2003; Kraaijenbrink et al., 2010; Sirmon et al., 2007). Based on the above

discussion, the ROT empowers organizational managers to undertake practical managerial actions in the face of highly dynamic organizational environmental changes, ensuring sustainable value creation.

#### **4. DMO orchestration capability**

Destination management is vital in developing a thriving destination to gain a sustainable competitive advantage. A Destination Management Organization (DMO) plays an essential role in carrying out that mission (Evans, 2016; Goffi et al., 2019; Volgger & Pechlaner, 2014). It serves as a building block and determinant factor of tourism destination competitiveness (Dwyer et al., 2009; Pike, 2021; Ritchie & Crouch, 2003); responsible for managing the inter-organizational nexus structure and providing comprehensive market-related information and a total management system (Spyriadis et al., 2013); undertaking present trends and future challenges in organizing destination resources (Pike & Page, 2014; Reinhold et al., 2018); and acting as a boundary spanner of destination development (Sheehan et al., 2015). Furthermore, Reinhold et al. (2018) argue that the DMO manages and develops tourism processes by providing coordination and collaboration benefits to public and private destination stakeholders and tourists.

The dynamic external forces, such as economic developments, and political, social, technological, and ecological changes are driving the transformation of the tourism landscape, presenting a significant challenge for DMOs. Their current approaches will soon become obsolete (Pike, 2021) due to the high demand for revising traditional methods and instruments of destination development (Volgger et al., 2021). To address these complex tasks in specific contexts, DMOs must develop their organizational orchestration capability (Cui et al., 2019; Murray et al., 2022). They need to drive destination capabilities at the inter-organizational level by mastering resource management and dynamic capabilities, and align value creation with their routine capabilities at the intra-organizational level (Ness & Haugland, 2022; Shi & Shen, 2021). Building a strategic success for destinations by leveraging their orchestration capability to attain a competitive and sustainable destination becomes an obligation for DMOs (Cronjé & du Plessis, 2020; Fernández et al., 2020; Paunović et al., 2020). This study defines DMO orchestration capability as managerial capabilities for constructing a set of destination resource structuring, bundling, and leveraging initiatives to achieve destination-sustainable value creation.

##### **4.1. Resource structuring capability**

Resource structuring, a foundational element of orchestration capability, involves an organization's ability to search for and select resources amid uncertainty. According to Sirmon et al. (2011, 2007) and Helfat et al. (2007), resource structuring capability encompasses acquiring, accumulating, divesting, and engaging resources in activities such as designing business models, selecting organizations, determining governance, and making investments. The core resources and attractors are vital foundations to achieve a destination's sustainable competitive advantage (Ritchie & Crouch, 2003), which is an antecedent of a successful DMO (Volgger & Pechlaner, 2014). Seven types of resources are responsible for destination competitiveness: human resources, physical resources, knowledge resources, infrastructure, capital resources, historical resources, and cultural resources (Ritchie & Crouch, 2003), categorized under three primary forms: endowed, created, and supporting resources (Dwyer & Kim, 2003). Developing and managing destination resources and capabilities become a crucial responsibility for DMOs in positioning destination competitiveness (Camisón et al., 2016) since the formation of resource portfolio through resource acquisition, accumulation, and divestment provides the basis for developing other capabilities (Sirmon et al., 2007). The interaction between resources or resource configurations is underlying the significant development of capabilities that bring differential sustainable competitive advantage levels (Saranga et al., 2018). Previously, Flagestad and Hope (2001) argued that a set of combination destination resources, not merely individual resources, is the foundation of destination competitive advantage.



DMO structuring capability is related to optimizing activations in acquiring and accumulating destination resources and divesting undervalued resources. This raises two main issues that need to be addressed: first, how newly formed resource combinations can deliver value creations; second, how derived competitive resources can shape value preservation (Godfrey & Gregersen, 1999; Ness & Haugland, 2022; Saranga et al., 2018; Sirmon et al., 2011).

In conducting resource structuring activations to shape organizational resource portfolios, this capability is intensively affected by uncertain environmental forces and dynamism at a particular resource munificence level (Hartman et al., 2020; Mikulić, 2020; Sirmon et al., 2007). Organizations may need to acquire a broader range of resources and enhance their capacity for resource search and selection to address uncertainties stemming from competitive rivalry and demand fluctuations (Badrinarayanan et al., 2019; Sirmon et al., 2011). The phenomenon of technological disruption, impacting destination development, compels DMOs to acquire new resources for competing in emerging markets (Jovicic, 2019; Kumar, 2020). In this uncertain environment, DMOs may require resource restructuring capabilities to adapt and potentially devise new leveraging strategies (Shi & Shen, 2021). Hence, diverse environmental pressures drive DMOs to develop resource restructuring capabilities.

**H1:** Environmental forces positively influence DMOs' resource structuring capability.

#### **4.2. Marketing capability**

Marketing capability plays a crucial role in organizational orchestration, enabling the configuration and deployment of resources. Through mobilization, innovation, and integration of resources, it empowers organizations to seize market opportunities, create customer value, and achieve a sustainable competitive advantage (Hunt, 2010; Sirmon et al., 2007, 2011). DMO becomes a major catalyst for developing a destination (Presenza et al., 2005; Puranam et al., 2003), where marketing capability becomes critical (Pike, 2021). It will be associated with destination resource deployment concerning marketing strategy development, marketing mix processes, and executions (Martin et al., 2020; Middleton et al., 2009). Other studies stated that this capability comprises marketing planning, product development, communication, and promotion (Morrison, 2013; Pike, 2021; Pike & Page, 2014) that covers dynamic strategic orientation levels such as innovation and branding and tactical level such as advertising and distribution (Cacciolatti & Lee, 2016). Environmental uncertainty affects marketing capability when exploiting market opportunities through bundling and leveraging destination resources activations (Sirmon et al., 2007, 2011). Marketing capability should deal with visitor behavior changes and macro- and micro-environments, including competition & cooperation among industrial tourism actors (Lubowiecki-Vikuk & Sousa, 2021; Morrison, 2013; Pike & Page, 2014). Hence, DMOs must struggle and adapt to the dynamic environmental forces when formulating the marketing strategy, planning, and conducting the marketing initiatives (Pike, 2021; Presenza et al., 2005; Ritchie & Crouch, 2003).

**H2:** Environmental forces positively influence DMOs' marketing capability

The DMO shapes destination resource portfolios through resource structuring capabilities that contain acquiring, accumulating, and divesting resources (Sainaghi et al., 2019; Salvato & Vassolo, 2018; Sirmon et al., 2007, 2011). A unique resource configuration to call for specific actions in creating value that brings differential sustainable competitive advantage (Choi et al., 2020; Saranga et al., 2018). The outcomes of organizational capabilities in restructuring resources, involving both organizational and market-based resources through processes like acquisition, accumulation, and even divestment, significantly influence the development of marketing capabilities, especially in the context of market expansion and product innovation (Barney & Hesterly, 2012; Davcik & Sharma, 2016; Morgan et al., 2012; Pike, 2021; Sirmon et al., 2007). When implementing a product/service differentiation strategy as a form of marketing capability to

address competition, organizations must ensure the availability of required resources for strategy execution, necessitating proficient resource structuring (Helfat et al., 2007; Sirmon et al., 2007, 2011). According to Sirmon and Hitt (2009), substantial investments in resources that facilitate acquisition and accumulation effectively support a differentiation strategy offering advanced services compared to competitors, optimizing returns when coordinated. A series of resource structuring capabilities for tangible and intangible assets integrates newly acquired resources with existing capabilities, creating a new, higher-order product commercialization capability (Day, 2011; Inan & Kop, 2018). Hence, DMOs' resource restructuring affects their marketing capability.

**H3:** DMOs' resource structuring capability positively affects marketing capability.

#### **4.3. Networking capability**

Networking capability is related to a dynamic organizational capability that coordinates resource activities, integrating configurational and mobilized capabilities (Chan & Reiner, 2019; Helfat et al., 2007; Sirmon et al., 2007, 2011). It reflects an inter-organizational capability to build, handle, and exploit co-producing complex relationships (Chan & Reiner, 2019; Vesalainen & Hakala, 2014) and social bridge ties (Haugland et al., 2011; Pearce, 2015). Furthermore, the network capability comprises four components: coordination, internal communication, relationship skill, and partner knowledge (Walter et al., 2006) that concern a collaborative process to cover joint decision-making and operations, trust-building, shared resources, and reducing organizational autonomy (Chen et al., 2018).

DMOs must be able to build strong networks through effective collaboration and interaction with stakeholders (Nguyen et al., 2022; Perkins et al., 2020; Volgger & Pechlaner, 2014) since a destination contains a complex nexus of multiple stakeholders' interests (Ness & Haugland, 2022; Pavlovich, 2003). Developing an effective networking capability in delivering value to stakeholders and attaining the expected goals is one of DMO's most challenging tasks (Goffi et al., 2019; Hristov & Zehrer, 2015).

Intense competition, shifting demands, and technological changes compel organizations to adjust their internal and external coordination approaches to navigate these challenges (Fligstein, 2021; Hatch & Cunliffe, 2009). Managers' relational skills evolve to achieve organizational goals in dynamic environments (Hunt & Madhavaram, 2020; Wang & Ahmed, 2007). Fostering more profound learning abilities, mainly related to partner knowledge, is fundamental for comprehending stakeholders in competitive and collaborative contexts, thereby contributing to firm success (Helfat et al., 2007; Walter et al., 2006). In these circumstances, various environmental pressures impact different facets of an organization's networking capability.

**H4:** Environmental forces positively influence DMOs' networking capability.

Networking capability within an organizational architecture needs a bundle of resources (tangible and intangible) to build and drive other higher capabilities (Hilmersson & Hilmersson, 2021; Vesalainen & Hakala, 2014; Wegner et al., 2021), establishing intra-organizational relationships (Maghsoudi-Ganjeh et al., 2021; Nguyen et al., 2022), and facilitating inter-organizational collaboration processes (Chen et al., 2018; Walter et al., 2006). Diverse destination resources can only affect performance when those varieties are structured, bundled, and leveraged appropriately to deliver value to the tourism market. DMOs play a critical role in structuring a set of destination resources needed to establish organizational and institutional infrastructures (Romao et al., 2021; Sainaghi et al., 2019). In that sense, DMOs need a collection of destination portfolio resources to drive their intra- and inter-organizational relationship activities to achieve the destination's common goals.

**H5: DMOs' resource structuring capability positively affects networking capability**

Two fundamental relations have constructed marketing capability: the inner side comprising organizational empowerment and operational excellence, and the outer side comprising networking collaboration and strategy development implementation (Inan & Kop, 2018). Previously, Ngo and O'Cass (2012) argued that the ability to build an effective network to shape intensive inter-functional coordination has a solid link to marketing orientation as one of the marketing capability antecedents and gains new product performance. DMO plays a boundary-spanning role in building an integration system from the market, fulfilling visitor demands, and satisfying stakeholders' interests (Sheehan et al., 2015). It also seeks inter-destination bridge ties to drive destination product/service innovations and imitations (Haugland et al., 2011; Sainaghi et al., 2019). Through the firm's strategic logic in managing complex business networks, the DMO's networking capability should demonstrate partnering abilities and value streaming, which are required for successful marketing capability (Vesalainen & Hakala, 2014).

**H6: DMOs' networking capability positively affects marketing capability.**

**5. Strategic destination success: sustainable value creation**

Organizational performance becomes essential for organizations to reflect shared goals and objectives (Rehman et al., 2019). It determines how well an organization accomplishes its goals/objectives (Asiaei et al., 2021; Fligstein, 2021). Organizational orchestration capabilities contribute to the formation of sustainable value creation, ultimately leading to superior organizational strategic performance (Sirmon et al., 2007, 2011). In recent developments, organizational performance should achieve sustainable performance that covers environmental and local community protection (Diaz-Balteiro et al., 2018); social actions (George et al., 2019; McDavid et al., 2018; Meier & O'Toole, 2002) besides financial performance, market performance, and shareholders' return (Richard et al., 2009).

A tourism destination pursues performance levels closely associated with competitiveness, fostering economic growth and resident prosperity (Cronjé & du Plessis, 2020; Hanafiah et al., 2016; Knežević Cvelbar et al., 2016). The DMO, responsible for destination management, aims for exceptional performance and sustainable competitive advantage (Evans, 2016). Unlike traditional firms, a destination organization operates within a more fluid boundary, housing destination-specific resources that interact with robust social values and networks (Goffi et al., 2019). The objective is to develop targeted initiatives seamlessly integrating economic achievement with socio-cultural and environmental preservation (Ritchie & Crouch, 2003). Flagestad and Hope (2001) contend that strategic success hinges on sustained value creation, encompassing economic prosperity, resident well-being, guest satisfaction, cultural richness, and environmental conservation. Therefore, this study defines *sustainable value creation* as a result of unique destination management activities designed to achieve economic prosperity while preserving socio-cultural heritage and the environment.

DMO marketing capability, a reflection of configurational and deployment capabilities, significantly influences destination performance (Cronjé & du Plessis, 2020; Morgan et al., 2012; Sirmon et al., 2007, 2011), making it a crucial component of destination capability and competitiveness (Haugland et al., 2011; Sainaghi et al., 2019). This capability fosters sustainable value creation by aligning with customer expectations, adapting to changing demand (Inan & Kop, 2018), delivering desired outcomes that benefit destination stakeholders (Jørgensen, 2016), and developing attractions that draw visitors (Evans, 2016), thereby enhancing economic performance in destinations (Pike, 2021). Additionally, diverse marketing initiatives can promote social-cultural and environmental preservation. For instance, leveraging digital communication extends reach while reducing environmental impact and advocates for appreciating social values and the environment, enhancing destination distinctiveness and differentiation (Jovicic, 2019; Kumar, 2020). Thus, marketing

capability directly influences the sustainable value creation performance metric for Destination Management Organizations (DMOs).

**H7:** DMOs' marketing capability positively impacts the achievement of sustainable value creation

Destinations are intricate networks of relationships, and the success of destination management relies on cooperation and coordination among various stakeholders (Ness & Haugland, 2022; Reinhold et al., 2018). To formulate a performance strategy, the DMO must possess vital relationship skills with destination stakeholders and visitors (Mohammadi et al., 2020). Proficiency in partner knowledge and effective internal communication, integral components of networking capability, empowers organizations to understand stakeholders' dynamics (Zacca et al., 2015), enhancing the potential for successful resource mobilization (Crouch, 2011; Helfat et al., 2007) and organizational performance (Vesalainen & Hakala, 2014; Wegner et al., 2021).

DMO's networking capability shapes a flourishing destination by turning social acceptance into community authority (Nguyen et al., 2022; Volgger & Pechlaner, 2014) and aligning with evolving strategic objectives (Shi & Shen, 2021). It significantly impacts the DMO's performance in achieving sustainable value creation.

**H8:** DMOs' networking capability positively impacts the achievement of sustainable value creation.

## 6. Research methodology

### 6.1. Sample and data collection

The context of this study is Indonesia's tourism development, a country rich in natural landscapes, historical sites, and socio-cultural diversity. The tourism industry has seen remarkable growth, with a 155% increase from FY 2017 to FY 2019, ranking 42nd out of 136 countries in 2017 (WEF-TTIC Report, 2017). Indonesia, a developing country, experiences rapid economic growth, rising GDP per capita, infrastructure development, and a youthful population (WEF, 2011), all intricately linked with destination development processes (WEF, 2011, 2011).

An unprecedented event, the outbreak of Covid-19, coincided with this study's data collection process in Indonesia in March 2020. Many potential respondents initially expressed willingness but later canceled their participation in the research, posing a challenge in securing respondents. The pandemic had a devastating impact on global tourism, including Indonesia. The Asia-Pacific region saw a drastic –80% decrease in international tourist arrivals, and in Indonesia, both domestic and international tourist numbers fell significantly. International tourists dropped by 75.03% compared to 2019, and domestic tourists decreased by 61% in 2020 (BPS, 2021). These circumstances significantly threatened the tourism sector's 13 million direct and 32.5 million indirect workers (BPS, 2020). The governments of Indonesia and other countries implemented mobility restrictions, suspending flights and limiting overland travel, which further affected domestic tourism.

As destination boundaries become increasingly vague (Paulino et al., 2021), the notion of a destination extends beyond geographical limits and is influenced by visitor motivation (Buhalis & Amaranggana, 2013) and trip-related attributes (Pearce & Schänzel, 2013). It is no longer limited to a conventional place (Boes et al., 2016; Cimbaljević et al., 2019; Kumar, 2020). Consequently, the institution responsible for destination management becomes a focal point in destination development studies (Jovicic, 2019; Ness & Haugland, 2022; Paunović et al., 2020; Volgger et al., 2021). Therefore, the unit of analysis in this study is the Destination Management Organization (DMO), as it is an organization that oversees destination management and is accountable for the destination's success.

The current study employed a non-probability sampling method with a purposive technique to collect cross-sectional data, a method used in prior research studies (Malhotra et al., 2017; Sekaran & Bougie, 2016). The study targeted DMO managers at the top management or functional manager level, responsible for managing at least one portfolio or a combination of tourism portfolios. These portfolios were classified into three main groups based on the Tourism Ministry of the Republic of Indonesia and literature review results: Natural, culture-heritage, and man-made resources (created resources). The selected DMOs should be under government bodies, corporations, or community-based organizations with annual revenue of at least IDR 300 million, following the Republic of Indonesia Act No. 20/2008 about Small and Medium Enterprises and National Standardization Agency. Additionally, the DMOs should have been in operation for at least one year.

Before distributing the survey questionnaire, in-depth interviews were conducted with tourism experts, practitioners, and academics to identify critical issues, ensure fair research, and confirm various research dimensions and indicators. A pre-test was carried out to assess the quality of the measurement indicators to be used in the full-scale study (Jonker et al., 2011). The measurement indicators met the reliability test requirements, with a Cronbach's Alpha ( $\alpha$ ) value of 0.6–0.8 (Sekaran & Bougie, 2016), and the validity test with Factor Loading (FL) of 0.5 or higher, ideally 0.7 (Hair et al., 2009).

The study obtained consent from respondents for their voluntary participation. Subsequently, 250 survey questionnaires were distributed, and 153 valid completed questionnaires were returned, representing a 61% response rate. This response rate is considered acceptable for performing multivariate analysis through structural equation modeling (SEM) using the Latent Variable Score (LVS) approach, as suggested by Hair et al. (2009) and Wijayanto (2015). The sample size exceeded the minimum requirement (105 samples) for the five latent variables used in this research model. The questionnaire was distributed in electronic form using SurveyMonkey and the bitly-link platform after scheduling appointments with the targeted respondents.

## 6.2. Measurement scale

### 6.2.1. Environmental forces (EV)

Environmental forces encompass the influence of external factors on destination management, including macro- and micro-environmental aspects and destination competition. We measured this latent variable using five dimensions (customer demand, destination competition, Information-Communication-Technology/ICT, government policies, and destination environment) adopted from prior studies (Buhalis & Amaranggana, 2013; Cimbaljević et al., 2019; Hitt et al., 2017; Kock et al., 2018; Lubowiecki-Vikuk & Sousa, 2021; Mikulić, 2020; Nunkoo & Smith, 2013; Pechlaner et al., 2012; Ritchie & Crouch, 2003). Respondents rated each external environmental force on a six-point Likert scale, ranging from 1 ("very low") to 6 ("very high"). Factor loading tests were conducted, with all dimensions meeting the  $\geq 0.50$  requirement (Hair et al., 2009). Construct reliability (CR) and variance extracted (VE) were assessed, and the latent variable (EV) was considered reliable with a CR value  $\geq 0.70$  (Hair et al., 2009; Wijayanto, 2015; Fornell & Larcker, 1981), while VE was close to 0.5, indicating adequate reliability (Huang et al., 2013).

### 6.2.2. Resource structuring capability (RC)

Resource Structuring Capability enables a DMO to enhance and expand the destination's attractiveness (potential value) by effectively configuring the three types of destination resources (endowed, created, and supporting resources). To measure this latent variable, we adopted three dimensions (endowed, created, and support resource structuring) based on theories suggested by Shi and Shen (2021), Chan and Reiner (2019), World Tourism Organization (UNWTO) (2016), Sirmon et al (2011, 2007). Simao (2010), and Dwyer and Kim (2003). To measure the latent variable RC, we utilized scales for the selected indicators within the three dimensions. Respondents were asked to rate each item on a six-point Likert scale, ranging from 1 ("strongly disagree") to 6 ("strongly agree").

agree"). We found that all dimensions had a high level of validity, with factor loading (FL) values above 0.7. The latent variable (RC) was also reliable, with a construct reliability (CR) value above 0.7 and a variance extracted (VE) value of 0.5 (Hair et al., 2009).

#### 6.2.3. *Marketing capability (MC)*

Marketing Capability empowers a DMO to understand visitor expectations and effectively leverage destination resources to meet those expectations. We measured this latent variable using six dimensions (marketing planning, product development, pricing, marketing communication and promotion, customer information and relationship, and people development) drawn from studies by Morgan et al. (2012, 2018, 2009), Pike (2021), World Tourism Organization (UNWTO) (2004), and Vorhies and Morgan (2005). To measure the latent variable MC, we utilized scales for the selected indicators within the three dimensions. Respondents were asked to rate each item on a six-point Likert scale, ranging from 1 ("strongly disagree") to 6 ("strongly agree"). After the testing process, all dimensions and the latent variable (MC) demonstrated high-level validity and reliability, with factor loading (FL) values above 0.7, construct reliability (CR) values above 0.7, and variance extracted (VE) values above 0.5 (Hair et al., 2009).

#### 6.2.4. *Networking capability (NC)*

Networking Capability enables a DMO to collaborate effectively with all stakeholders, establishing and utilizing intra- and inter-organizational relationships to leverage destination resources. The four dimensions (coordination, internal communication, relationship skills, and partner knowledge) were adapted to fit the research context, as suggested by the empirical work of Zacca et al. (2015) and Walter et al. (2006). To measure the latent variable NC, we utilized scales for the selected indicators within the three dimensions. Respondents were asked to rate each item on a six-point Likert scale, ranging from 1 ("strongly disagree") to 6 ("strongly agree") Indicators within each dimension demonstrated high validity, with factor loading (FL) values above 0.7. Consequently, all dimensions met the reliability requirements, with construct reliability (CR) values above 0.7 and variance extracted (VE) values above 0.5. This latent variable (NC) was the only formative form in this research model. Moreover, all dimensions under the formative form were assessed using Principal Component Analysis (PCA), following the suggestions of Ping (2010) and Wijayanto (2015). The procedure revealed that all dimensions exhibited high factor loading values above 0.8, indicating a strong correlation of all four variables with the latent variable (NC) as a formed factor (Ping, 2010).

#### 6.2.5. *Sustainable value creation (SVC)*

Sustainable Value Creation refers to the outcome of selected and integrated destination management activities aimed at achieving sustainable value in terms of economic prosperity for the well-being of the destination host community, as well as social-cultural and environmental preservation. The three dimensions (economic prosperity, social-cultural, and environmental preservation) and corresponding indicators were adopted and adjusted from previous studies that focused on organizational performance (Asiaei et al., 2021; Rehman et al., 2019), sustainable competitive advantage (Bowman & Ambrosini, 2000; Huang et al., 2015), and sustainable tourism (Cronjé & du Plessis, 2020; Diaz-Balteiro et al., 2018, GSTC, 2019; George et al., 2019; UNWTO, 2004, 2016). To measure the latent variable (SVC), we utilized scales for the selected indicators within the three dimensions. Respondents were asked to rate each item on a six-point Likert scale, ranging from 1 ("strongly disagree") to 6 ("strongly agree") concerning their DMO's performance over the previous three years. The three dimensions demonstrated validity and reliability, with high factor loading (FL) values above 0.5, a construct reliability (CR) value above 0.7, and a variance extracted (VE) value of 0.5.

### 6.3. *Analysis tools*

The current study employed various statistical tests to ensure the validity of the results. For this study, IBM Statistical Package for the Social Sciences (SPSS) software version 26.0 for Windows and Lisrel version 8.7 were used to test the measurement and structural model of the structural



equation model (SEM). The relevant literature was followed to verify the validity of the field study results.

## 7. Data analysis and findings

### 7.1. Descriptive statistics and correlation coefficients

Out of 153 valid respondents, 62% of DMOs manage man-made and combination resources, 26% oversee pure natural destinations, and 12% are responsible for pure culture/heritage. The annual net revenues of DMOs range from IDR 300 million to 2.5 billion, with 71% falling in this category, while 22% have revenues from IDR 2.5 billion to 50 billion, and 7% generate over IDR 50 billion. Regarding age, 47% of destination organizations are 1 to 5 years old, 29% are between 5 and 15 years old, and 24% have been established for over 15 years (see Table 1).

Descriptive statistics were used to predict the occurrence of particular behaviors by observing the distribution of variables' weights (Heiman, 2011; Sekaran & Bougie, 2016). The networking capability variable had the maximum mean range (5.035), while the environmental force variables had the minimum mean range (4.472). Furthermore, the resource structuring capability factor had the maximum standard deviation score (0.455), and the networking capability factor had the minimum standard deviation score (0.411) (see Table 2).

Furthermore, to measure the strength and significance level of the relationships between variables, we applied a bivariate correlation procedure using Pearson's correlation coefficients. We found that all variables demonstrated strong relationships with significance at the 0.01 level (see Table 1). Thus, there is no indication of multicollinearity among the variables. Among the capability variables, network capability showed the strongest correlation with sustainable value creation ( $r = 0.688$ ,  $p < 0.01$ ), followed by marketing capability ( $r = 0.680$ ) and resource structuring capability ( $r = 0.622$ ,  $p < 0.01$ ). The networking and marketing capabilities showed the strongest relationship with each other ( $r = 0.802$ ,  $p < 0.01$ ).

Furthermore, factor loadings were calculated to observe the correlation between the original variables and the underlying factors, which helps to understand the nature of each factor (Dugard et al., 2010; Hair et al., 2009). Most of the loading values in the current study were found to be above 0.7, indicating a strong correlation between the variables and their respective factors. Only a few items had a loading value of 0.5 (see Table 2), which is still acceptable and allows the items to proceed to further analysis (Hair et al., 2009; Sekaran & Bougie, 2016).

**Table 1. Profile respondent**

	Category	Description	Percentage %
1	DMO—resources type	Pure Natural	26%
		Pure Culture/Heritage	12%
		Man-made & Combination resources	62%
2	Length of Company Establishment	1–5 years	47%
		5 < – 15 years	29%
		15 years	24%
3	Annual Net Revenues	IDR 300 million – 2.5 billion	71%
		IDR 2.5 billion < – 50 billion	22%
		> IDR 50 billion	7%

Note: Total 153 valid respondents.

Table 2. Descriptive statistics and correlation coefficients

	Variables	Codes	Mean	Std. Deviation	1	2	3	4	5
1	Environmental Forces	EV	4.472	0.418	-				
2	Resource Structuring Capability	RC	4.853	0.455	0.322**	-			
3	Marketing Capability	MC	4.919	0.437	0.405**	0.660**	-		
4	Networking Capability	NC	5.035	0.411	0.500**	0.616**	0.802**	-	
5	Sustainable Value Creation	SVC	4.918	0.443	0.468**	0.622**	0.680**	0.688**	-

Note: \*\*Correlation is significant at the 0.01 level (2-tailed).

In addition, the reliability (internal consistency) among the latent variables was assessed using composite reliability and variance extracted measures. Cronbach's alpha ( $\alpha$ ) provides a relatively lower estimate than composite reliability to assess congeneric measurement reliability (Bollen, 1989; Raykov, 1998). We used Fornell and Larcker's formulation (1981) to calculate construct reliability (CR), which expresses composite reliability and variance extracted (VE). According to Hair et al. (2009), a CR value of  $\geq 0.70$  and VE value of  $\geq 0.70$  indicate good reliability. Huang et al. (2013) also suggested that if the CR value is  $> 0.6$  and VE value is  $< 0.5$ , a particular variable can be considered to have adequate reliability. In our study, the observed CR values ranged from 0.75 to 0.91, and VE values ranged from 0.42 to 0.62, which are considered good results (see Table 3).

**Table 3. Factor loading, construct reliability, and variance extracted**

	Variables	Codes	Loading Score	Loading Score	Loading Score	Loading Score	Loading Score	Construct Reliability (CR)	Variance Extracted (VE)
1	Environmental Forces	EV						0.78	0.42 <sup>1)</sup>
		ev1	0.50						
		ev2	0.78						
		ev3	0.78						
		ev4	0.50						
		ev5	0.73						
2	Resource Structuring Capability	RC						0.78	0.5
		rc1		0.71					
		rc2		0.77					
		rc3		0.74					
3	Marketing Capability	MKT						0.91	0.62
		mc1			0.85				
		mc2			0.81				
		mc3			0.82				
		mc4			0.82				
		mc5			0.75				
		mc6			0.78				
4	Networking Capability	NC						Under formative endogen form and translated to a reflective form by following PCA Procedures <sup>2)</sup>	
		FAC1_1				1			
5	Sustainable Value Creation	SVC						0.75	0.5
		svc1					0.71		
		svc2					0.82		
		svc3					0.69		

Notes:

<sup>1)</sup>According to Huang et al. (2013), if the CR value  $> 0.6$  and VE  $< 0.5$ , then it can be accepted as adequate reliability.

<sup>2)</sup>Adopting Principal Component Analysis (PCA) as Pin (2010) suggested. Component Matrix results for each dimension were above 0.80, meaning variables strongly correlate with the formed factor (NC). Then, it was translated into a composite variable (FAC1\_1) with Loading score = 1 and error = 0.

Previously, the CFA 1st order measurement was employed, resulting in a high validity & reliability on each dimension.

The unique characteristic of the networking capability variable (NC) is that it is a formative endogenous form. Therefore, we conducted Principal Component Analysis (PCA) to transform it into a reflective one, a composite variable, with a single indicator and loading factor equal to one and measurement error equal to 0 (FL = 1 and error = 0), as suggested by Ping (2010). After performing the PCA procedure, the component matrix results showed that each variable had a high score above 0.8, indicating that the four variables strongly correlate with the formed factor, networking capability (NC), as a composite variable. Prior to this procedure, we conducted a Confirmatory Factor Analysis (CFA) on each dimension within the NC variable, resulting in high validity and reliability, with FL scores ranging from 0.6 to 0.85, CR values ranging from 0.8 to 0.87, and VE values ranging from 0.5 to 0.51.

## 7.2. Model assessment and, hypotheses confirmation

Before estimating the complex relationships between environmental forces, resource structuring, marketing, networking capabilities, and sustainable value creation, and confirming the hypotheses, we assessed the model's fitness with the available data using seven indices of Goodness of Fit (GOF). These indices are Normed Chi-Square (NCS), Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), Normed Fit Index (NFI), Incremental Fit Index (IFI), Relative Fit Index (RFI), and Goodness Fit Index (GFI). We found that the model indicators were within the acceptable ranges (see Table 4). Specifically, the GFI value of 0.86 was in the marginal fit category ( $0.80 \leq \text{GFI} < 0.90$ ), which was still considered acceptable, as suggested by Jöreskog & Sörbom (1984) and Wijayanto (2015). Furthermore, according to Schermelleh-Engel et al. (2003), a GFI value  $> 0.85$  was also considered an acceptable fit.

As predicted by the model, environmental forces (EV) have a positive impact on both resource structuring capability (RC) with H1 = coefficient of 0.32 and t-values of 3.36, and networking capability (NC) with H4 = coefficient of 0.33 and t-values of 3.81. Therefore, H1 and H4 are accepted. The significant impact of Resource structuring capability (RC) on marketing capability (MKT) with H3 = coefficient of 0.24 and t-values of 3.18, and networking capability (NC) with H5 = coefficient of 0.49 and t-values of 5.59 indicates that H3 and H5 are accepted. The relationship between networking capability (NC) and marketing capability (MKT) is highly positive and significant, with an H6 = coefficient of 0.69 and t-values of 8.05. Hence, H6 is accepted. The positive relation and significance between networking capability (NC) and marketing capability (MKT) to sustainable value creation (SVC) are strongly supported by the data with H7 = coefficient of 0.32 and t-values of 2.39, and H8 = coefficient of 0.54 and t-values of 4.64. Thus, H7 and H8 are accepted. However, the hypothesized relationship between environmental forces (EV) and marketing capability (MKT) is not supported with an H2 = coefficient of  $-0.02$  and t-values of  $-0.41$ . See Table 5 and Figure 1.

The total effects (TE) are the sum of all direct and indirect effects between the two latent variables according to the paths contained in the research model, which are measured by the

**Table 4. Goodness of Fit indices (GOFI)**

GOFI <sup>1)</sup>	NCS	RMSEA	CFI	NFI	IFI	RFI	GFI
Model fit indicators	1.44	0.054	0.98	0.95	0.98	0.94	0.86
Suggested values	$\leq 2.0^{2)}$	$\leq 0.08^{2)}$	$\geq 0.90^{2)}$	$\geq 0.90^{2)}$	$\geq 0.90^{2)}$	$\geq 0.90^{2)}$	$\geq 0.90^{2)}$ $0.80 \leq \text{GFI} < 0.9^{3)}$ $> 0.85^{4)}$

<sup>1)</sup>Normed Chi-Square (NCS) =  $\chi^2$  (chi-square)/df (degree of freedom), Root Mean Square Error of Approximation (RMSEA), Comparative Fit Index (CFI), Normed Fit Index (NFI), Incremental Fit Index (IFI), Relative Fit Index (RFI), Goodness Fit Index (GFI)

<sup>2)</sup>Indicative of Good Fit (Hair et al., 2019)

<sup>3)</sup>Marginal fit category ( $0.80 \leq \text{GFI} < 0.9$ ) and still at the accepted fit level (Jöreskog & Sörbom, 1984; Wijayanto, 2015)

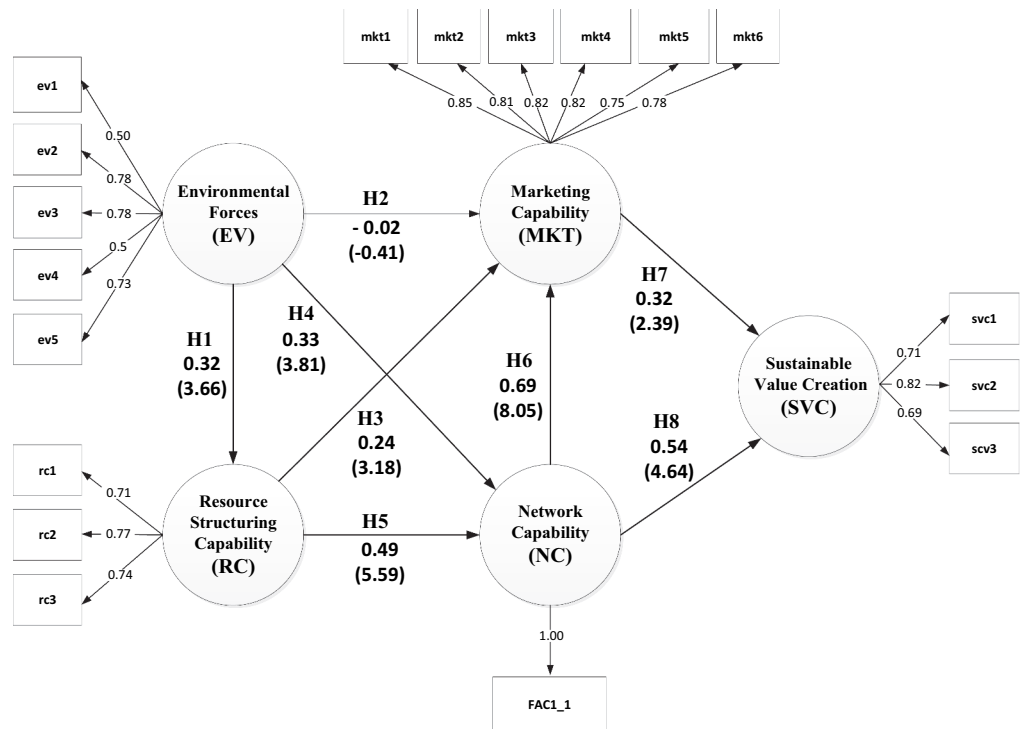
<sup>4)</sup>Acceptable Fit (Schermelleh-Engel et al., 2003)

**Table 5. Hypotheses testing**

H. No	Independent Variables	Path	Dependent Variables	Coefficient	t-values <sup>1)</sup>	Decisions
H1	Environmental Forces	→	Resource Structuring Capability	0.32	3.66	Accepted
H2	Environmental Forces	→	Marketing Capability	-0.02	-0.41	Rejected
H3	Resource Structuring Capability	→	Marketing Capability	0.24	3.18	Accepted
H4	Environmental Forces	→	Networking Capability	0.33	3.81	Accepted
H5	Resource Structuring Capability	→	Networking Capability	0.49	5.59	Accepted
H6	Networking Capability	→	Marketing Capability	0.69	8.05	Accepted
H7	Marketing Capability	→	Sustainable Value Creation	0.32	2.39	Accepted
H8	Networking Capability	→	Sustainable Value Creation	0.54	4.64	Accepted

Notes: <sup>1)</sup>A hypothesis is accepted when t-values  $\geq 1.96$  ( $\alpha = 5\%$ ) (Hair et al., 2009.)

**Figure 1. Hypotheses testing (SEM).**



estimated values between variables (Wijayanto, 2015; Schumacker & Lomax, 1996). The study found that the TE value of the exogenous environmental force (EV) paths towards the sustainable performance variable (SVC) is 0.370, which is smaller than the paths that start from the resource structuring capability variable (RC) with a value of 0.449.

The indirect effects (IE) value of the alternative path from the exogenous environmental force (EV) to the sustainable performance variable (SVC),  $EV \rightarrow NC \rightarrow SVC$ , is 0.178, which is the most considerable value. Meanwhile, the  $RC \rightarrow NC \rightarrow SVC$  path gives the largest IE value of 0.265 compared to other paths starting from the resource structuring capability variable (RC).

## 8. Discussions and conclusions

A consensus has been established in the realm of tourism management literature, highlighting the pivotal role of the Destination Management Organization (DMO) in developing destinations. However, it needs clarification regarding what DMO builds and how it develops its capability to orchestrate resources and contribute to the destination's strategic success. This study aimed to investigate the formation of Destination Management Organization (DMO) orchestration capability under the influence of environmental forces to achieve sustainable value creation. The study examined DMOs in the context of Indonesia's Tourism, which boasts abundant endowed and created resources, experiencing significant growth in the tourism industry. On the other hand, it exhibits characteristics typical of a developing country.

The novel findings of this study empirically establish that integrating three core capabilities—resource structuring, marketing, and networking—shapes the orchestration capabilities of Destination Management Organizations (DMOs) in response to environmental pressures. This integration significantly enhances the likelihood of success in destination management, particularly in achieving the strategic performance goal of sustainable value creation. The study also discloses that, among the three integrated capabilities, resource structuring and networking



capabilities exert significant direct and indirect influence on DMO performance, specifically in achieving sustainable value creation.

This study empirically addresses key questions frequently raised in the context of destination management and its contributions to achieving destination success. Notably, it responds to inquiries such as the one posed by Volgger and Pechlaner (2014), who highlighted the limited exploration of the relationship between DMO success and destination success and the determinants of effective DMOs. Additionally, it aligns with the evolving research agendas for the 2020–2095 era in destination management, which include themes related to sustainable management, destination resilience, destination performance, and the impact of technology on destination development, as highlighted by Fyall and Garrod (2020).

The study findings demonstrate that the three pillars of DMO orchestration capability—resource structuring, marketing, and networking capability—and their interactions positively and significantly influence the creation of sustainable destination value (H3, H5, H6, H7, and H8 accepted). To maintain and enhance destination attractiveness through the configuration of three types of destination resources (endowed, created, and supporting resources), DMOs need to develop their resource structuring capability. This capability involves optimizing, acquiring, accumulating, and divesting undervalued resources (Camisón et al., 2016; Ness & Haugland, 2022; Sirmon et al., 2007). The study findings indicate that this capability significantly influences the development of DMO marketing capability (H3 accepted). This result emphasizes that a combination of endowed, created, and supporting destination resources serves as the foundation for DMO managers to formulate marketing strategies, plans, and initiatives that meet and exceed visitor expectations. Prior research has also highlighted the significance of internal and market-based resources in the development of marketing capability to exploit and expand the market, including the creation of new products and services (Barney & Hesterly, 2012; Morgan et al., 2012; Pike, 2021).

Resource structuring capability significantly affects DMO networking capability as a manifestation of leveraging destination resources (H5 accepted). Destination managers must effectively build networks with stakeholders to manage existing and other destination resources required for further development. This relationship is consistent with previous research by Romao et al. (2021), Wegner et al. (2021), Sainaghi et al. (2019), Sirmon et al. (2011), and Walter et al. (2006). These studies highlight that a combination of organizational resources drives intra- and inter-organizational relationship capabilities and initiatives to achieve common goals.

In the study context, the networking capability of DMOs emerged as a critical factor driving marketing capability, establishing a positive and robust relationship (H6 accepted). This indicates that the destination managers' ability to create solid configurational networks with stakeholders has a significant impact on their marketing capability, including formulating strategies, planning, and other initiatives. In other words, to avoid marketing program failures, destination managers must engage in intense communication, improve coordination and relationships with stakeholders and internal DMO team members while considering local wisdom. This finding aligns with previous studies that emphasized networking capability's role in coordinating a collection of abilities and building higher capabilities (Helfat & Peteraf, 2003; Vesalainen & Hakala, 2014; Wegner et al., 2021) and its positive influence on marketing capability development (Inan & Kop, 2018; Mu et al., 2017).

The results of the study demonstrated that sustainable value creation, as a strategic destination success, was significantly associated with marketing and networking capability, thereby supporting H7 and H8 (accepted). On the other hand, resource structuring capability indirectly influenced sustainable value creation through its impact on the other two capabilities. Therefore, destination managers can achieve positive economic prosperity and also preserve social-cultural and environmental aspects through a series of selected activations in their orchestration capability, including resource structuring, marketing, and networking capability integration. The study's findings are

consistent with previous research that emphasized the impact of marketing and networking capability on destination performance (Chen et al., 2017; Cronjé & du Plessis, 2020; Haugland et al., 2011; Inan & Kop, 2018; Pike, 2021; Ritchie & Crouch, 2003). Moreover, the results highlighted that social-cultural preservation becomes a primary concern for DMOs compared to other performance aspects since it has extensive and profound multiplier effects on achieving economic prosperity patterns and preserving the environment within sustainable value creation. However, it does not mean that DMOs neglect the achievement of economic and environmental preservation; rather, they prioritize social-cultural preservation for its significant impact on overall destination success.

Destination managers encounter the challenge of multi-level hierarchical governance structures in a specific destination (Spyriadis et al., 2013), which in turn increases the complexity of establishing relationships, collaborations, and competition among destination actors (Pavlovich, 2003). As a result, the effective implementation of a local wisdom approach in the socio-cultural context of a destination becomes a critical factor in managing and achieving destination performance and goals (Ritchie & Crouch, 2003; Yuliana et al., 2021).

Furthermore, the study results indicate that environmental forces (customer demand, destination competition, ICT trend, government policy, and destination environment) significantly influence resource structuring and networking capability (H1 and H4 accepted). Destination managers must proactively deal with environmental forces to develop supporting resources, shape created resources, and maintain destination-endowed resources simultaneously. These forces also influence stakeholder behaviors in the destination area. Consequently, DMOs need to adapt their networking capability dynamically to address these changes. This phenomenon has been observed in previous studies, where changes in environmental forces have complex impacts on managing resources, stakeholder relations, and inter-organizational networks (Hatch & Cunliffe, 2009; Mikulić, 2020; Murray et al., 2022; Shi & Shen, 2021).

Under the unprecedented circumstances of the COVID-19 pandemic, the relationship between environmental forces and marketing capability is not supported (H2 rejected). The study found that destination managers were primarily focused on addressing the pressures of this devastating disaster, with various elements of environmental forces not being the primary concern. Marketing strategies, planning, and initiatives could not be implemented optimally during this time. Instead, they focused more on managing existing resources and strengthening their network to withstand the forces of the COVID-19 pandemic, while also trying to maintain visitation from domestic visitors at a certain level. In the marketing capability area, they prioritized exploring digital channels to maintain communication with potential visitors and utilized e-reservations to regulate the number of visitors and comply with government crisis regulations. Thus, the pandemic pressure drove their ability to explore and exploit networks with stakeholders and digital mediums for managing destination purposes, especially to survive during the challenging period. This phenomenon aligns with previous works by Kuščer et al. (2022) and Ritchie and Jiang (2019). They underline that DMOs tend to concentrate on coordinating efforts and building trust with the government and other stakeholders to respond to crises, reflecting networking capability elements. Post-survey interviews with respondents have reinforced our findings. Destination managers reported shifting their marketing focus to digital channels, swiftly building these capabilities, strengthening networks for practical activities, ensuring visitor safety and health, updating government developments, and enhancing facilities and infrastructure during the pandemic.

The study ultimately determined that internal organizational effects, precisely orchestration capabilities, have a more substantial impact on achieving sustainable value creation than external effects, such as environmental forces. The results of the total effects analysis support this conclusion. Thus, the success of a destination in achieving sustainable value creation is greatly affected by the DMO's ability to orchestrate its resources and manage various pressures from environmental forces. Mastering the ability to orchestrate resources and organizational capabilities in

achieving a sustainable competitive advantage is critical under circumstances of dynamic environmental forces and complex social network relationships (Cui et al., 2019; Shi & Shen, 2021).

Additionally, the study identified networking capability as a crucial mediator of DMO orchestration capability in achieving sustainable value creation within the research context. It is supported by the total and indirect effects results, highlighting the most influential path to achieve sustainable value creation mediated by networking capability. Destination managers believe their ability to shape an effective network with stakeholders is essential in orchestrating destination resources and overcoming environmental forces to achieve sustainable value creation. Previous studies have emphasized that the coordination and control of multiple actors' interests within a destination area determine the DMO's success (Beritelli et al., 2015; Stienmetz & Fesenmaier, 2015; Volgger & Pechlaner, 2014; Zhang & Zhu, 2014).

In summary, this study significantly advances the understanding of a DMO's ability to orchestrate destination resources and its linkages to achieving sustainable value creation, including the patterns of interaction between these capabilities and the accompanying environmental forces. The research findings demonstrate that DMO orchestration capability, encompassing resource structuring, marketing, and networking, is positively and significantly associated with sustainable value creation, directly or indirectly. Marketing and networking capability directly impact sustainable value creation, while these two capabilities mediate the effect of resource structuring capability. Among the three capabilities, networking emerges as a critical driver for marketing capability and a determining mediator for achieving sustainable value creation. Moreover, environmental forces positively and significantly influence DMO resource structuring and networking capabilities. However, during the unprecedented COVID-19 pandemic outbreak, DMOs tended to prioritize network capability over environmental forces, resulting in the insignificance of environmental forces on marketing capability. Instead, they focused on strengthening network capability while maintaining resource structuring capability at a certain level and exploring more profound digital marketing methods to achieve sustainable value creation.

## 9. Research Implications

The empirical outcomes of this investigation advance the comprehension of the fundamental constituents of DMO orchestration capability, elucidating the interplay between these elements and the influence of environmental forces in realizing strategic success for destinations. Sustainable value creation is achieved when the DMO can effectively orchestrate destination resources by integrating resource structuring, marketing, and networking capabilities while adapting to the dynamics of environmental forces.

From a managerial standpoint, the destination organization's manager plays a vital role in the integrated development of the three orchestration capability pillars. Focusing solely on one pillar or neglecting any of them raises the risk of failing to achieve destination performance, particularly sustainable value creation. Although short-term economic prosperity may be achieved, it could be offset by increasing social issues and a decline in environmental sustainability, ultimately jeopardizing this accomplishment.

The results underscore for destination managers that achieving proficiency in resource structuring capability necessitates more than mere possession and preservation of endowed resources (endowed-resources capability). It involves elevating the uniqueness and attractiveness of destination resources (created-resource structuring capability) and ensuring the availability of indispensable supporting facilities (supporting-resource structuring capability).

Hence, destination managers must excel in stakeholder networking, a pivotal facet in cultivating marketing capabilities and realizing sustainable value creation. Coordinating within a local wisdom framework and maintaining strong stakeholder relationships significantly enhances their

networking abilities. Furthermore, effective communication within the DMO team and a deep understanding of partners are essential to support these efforts.

Destination managers need to prioritize enhancing marketing capabilities, including formulating marketing plans, defining pricing strategies, and developing and implementing visitor-focused communications and promotions. However, these foundational aspects of marketing capability rely on support from other critical factors, including product development, fostering strong visitor relationships, and strengthening the human resource capacity within the DMO. By integrating these essential elements, DMO marketing capability significantly contributes to realizing sustainable value creation.

From a theoretical standpoint, this study introduces a holistic and integrated model of DMO orchestration capability, delving into the components that constitute this capability and their connection to achieving strategic destination success and empirical sustainable value creation. Furthermore, it explores how environmental forces influence destination management and organizational capabilities. The research also confirms the interplay between environmental forces, resource structuring, marketing, network capability, and sustainable value creation patterns within a developing country, specifically focusing on tourism in Indonesia. Indonesia, renowned for its diverse natural, social, cultural, and heritage destination resources, has contributed to robust economic growth and a thriving tourism industry. Finally, the study makes significant contributions to the literature on destination management, sustainable destination value creation, and strategic management in developing countries

#### **10. Research limitations and future study directions**

The study has some limitations. Firstly, destination managers, as respondents, were asked to complete questionnaires based on their management efforts from 2017–2019. However, data collection coincided with the outbreak of the COVID-19 pandemic, which significantly impacted the tourism industry. This unexpected event may have influenced the perceptions of destination managers, potentially introducing bias into their questionnaire responses. To address this issue and enhance the validity of the evidence, we conducted post-survey interviews at the destination. The interview delved into destination managers' perspectives on managerial actions associated with the three capabilities comprising orchestration capabilities. These perspectives correlate with the indicators previously addressed in the survey to provide a more comprehensive understanding.

Secondly, the cross-sectional approach used in this research has limitations in capturing the development of DMO orchestration capability for sustainable value creation. A longitudinal study is recommended to understand better these capabilities, their evolution, and their response to dynamic environmental forces. Such research will provide valuable insights for DMOs and governments to formulate effective destination development strategies promoting sustainable value creation.

Thirdly, the study encompasses diverse DMO governance types. Refining this categorization using a clustering approach, such as DMO-government bodies, DMO-private companies, and DMO-community-based organizations, is advisable for more focused research. This approach would lead to a more precise understanding of DMO orchestration capability and its components in achieving sustainable value creation.

Future studies could further explore the institutional theory framework to enhance the robustness of the findings in this research. This approach would complement the DMO orchestration capability model, particularly in developing countries, while considering DMO digital technological readiness within marketing capability. A longitudinal study is recommended to investigate how DMO orchestration capability interacts with dynamic environmental forces and internal organizational conditions.

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#### Data availability statement

The participants of this study did not give written consent for their data to be shared publicly, so due to the sensitive nature of the research supporting data is not available.

#### Disclosure statement

No potential conflict of interest was reported by the author(s).

#### Supplementary material

Supplemental data for this article can be accessed online at <https://doi.org/10.1080/23311975.2023.2288381>

#### Citation information

Cite this article as: The role of resource structuring, marketing, and networking capabilities in forming DMO orchestration capability toward sustainable value creation, Boy Bayu Idisondjaja, Sari Wahyuni & Harris Turino, *Cogent Business & Management* (2023), 10: 2288381.

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