Coopetition for Tourism Destination Policy and Governance: The Century of Local Power?: Innovation and Sustainability

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Coopetition for Tourism Destination Policy and Governance: The Century of Local Power?

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Abstract

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Tourism destination governance has been challenged with the complexity of stakeholders' behaviours both in the national, sub-national, and local levels. It is expected that all stakeholders collaborate in developing a destination. However, these stakeholders tend to develop strategies to gain competitive advantages among them. This chapter addresses these behaviours and examines the notion of governance and its relationship to the concepts of collaboration, cooperation, competition and coopetition. In order to understand the behaviours of stakeholders in a destination, this chapter proposes the Institutional Analysis and Development (IAD) Framework as a comprehensive tool. The core of this framework is action situations when stakeholders interact in cooperation, competition and coopetition, such as sharing resources in a destination. Furthermore, a tourism destination may be seen as a series of action areas where stakeholders address some strategic development issues, such as climate change and inclusive development. Hence, tourism destination governance can be arranged and improved by understanding these stakeholders' behaviours.

Keywords

- Destination governance
- Stakeholders
- Behaviours
- Coopetition
- Institutional Analysis and Development (IAD) Framework

1. Introduction

Governance has been extensively studied in both the organisational management (Cornett et al. 2008; Drew et al. 2006; Liu and Lu 2007; Seal 2006; Shipley and Kovacs 2008) and political contexts (Ansell and Gash 2008; Chhotray and Stoker 2009; Crozier 2010; Ostrom and Walker 1997; Rhodes 1997). Within the organisational management sphere, corporate governance refers to the whole system of rights, processes and controls established internally and externally over the management of a business entity with the objective of protecting the interests of all stakeholders (Centre for European Policy Studies 1995). This concept provided the basis for agency theory in the 1970s and which has since been incorporated into numerous governance studies in economies and finance (e.g. Bonazzi and Islam 2007; Jensen and Meckling 1976; Roberts 2005). Agency theory examines the relationship between a shareholder and a principal (company) with the aim of aligning the interests between these two groups (Jensen and Meckling 1976). Williamson's (1979) transaction cost economics theory (TCE) provided an alternative approach, which "views governance in terms of designing particular mediums for supporting economic transactions" (Heide 1994, p. 73). Here, governance is considered a choice between the traditional market (governance through a price mechanism) and hierarchy (governance through a unified authority structure). This theory argues that managers adopt particular governance arrangements to minimise transaction costs (Langfield-Smith 2008).

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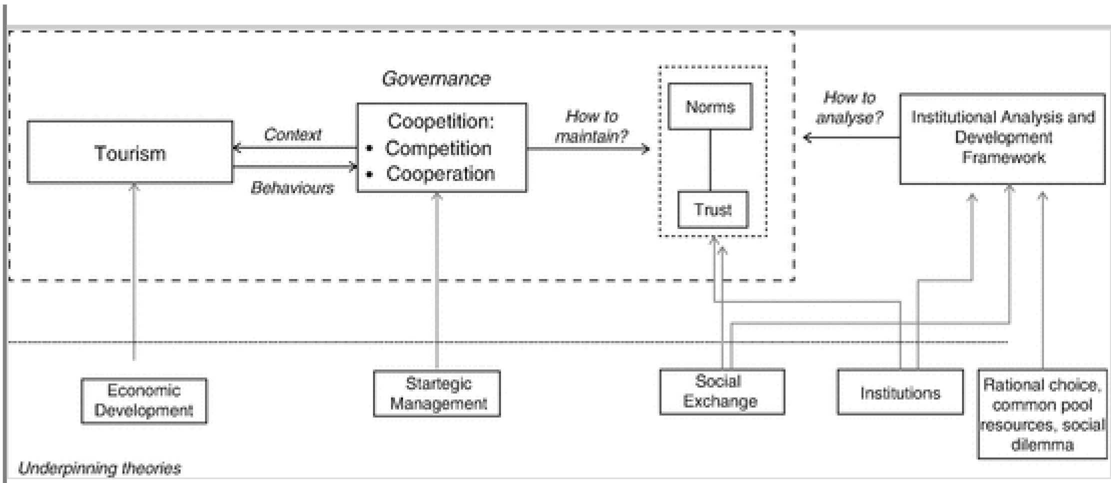
Within the political science literature, the concept of governance initially arose in the context of the 'hollowing out' of the state in the United Kingdom as part of a neo-liberal agenda to reduce the authority of the central government (Rhodes 1997). Similar processes, although not necessarily driven by the same agenda, are found in Spain's decentralization process from the 1970s (Ivars Baidal 2004), and more recently in Turkey (Yüksel et al. 2005). In Europe, part of the governance agenda for tourism is to push responsibility for policy to regional administrations who are considered to be more appropriate units of analysis for policy and planning, with a consequent requirement for the implementation of a governance system in these regions (Prokkola 2007), as well as the relationship between national and state levels of tourism administration in Australia (Dredge and Jenkins 2003). Additionally governance is seen as a third approach to minimising certain transaction costs (between hierarchy and market) by involving the public and private sectors in decisions that affect them. Therefore, governance in a political sense involves "the exercise of political, economic and administrative authority necessary to manage a nation's affairs" (OECD 2006, p. 147) in a similar way to corporate governance.

This chapter examines the notion of governance and its relationship to the concepts of collaboration, cooperation and coopetition. The authors maintain that there is an implicit assumption in the above discussions that governance involves collaboration, cooperation and trust between government (at different levels) and business stakeholders and that this is the most effective way to ensure accountability, transparency, responsiveness, and a future orientation. At the same time, within the tourism literature there is increasing recognition that tourism destination stakeholders do not necessarily engage in fully cooperative behaviour and indeed that they may collaborate and compete at the same time, a phenomena termed coopetition. Thus moving forward, governance arrangements in a tourism destination must recognise this simultaneous cooperation and competition situation (Fig. 1). This chapter proposes a comprehensive analysis tool, the Institutional Analysis and Development Framework, as a means for exploring behaviours among stakeholders within a destination. The IAD framework can be applied to understand how stakeholders interact at the local level and hence diagnose how governance arrangements actually operate, and how they can be improved.

Fig. 1

Underpinning theories to explore destination governance



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2. Coopetition: Cooperative and Competitive Behaviours in Tourism

Since the 1990s, scholars have been interested in coopetition as a strategy alternative in strategic management. Edgell and Haenisch (1995) were the first to propose coopetition strategies among tourism stakeholders, including governments, profit and non-profit organisations, and the community, to address tourism development issues such as sustainable tourism development, safety, climate change, and security issues. Recently, scholars concerned with coopetition in tourism have focused on several specific areas of interest including nature-based tourism (Pesämaa and Erikson 2010), destination marketing (Wang 2008), and e-tourism (application of information and communication technology in tourism activities) (Belleflamme and Neysen 2009). These authors argue that tourism stakeholders tend to both cooperate and compete with each other.

Competition is self-interested behaviour based on the notion of rivalry for the possession of a certain object or achievement that cannot be shared with others (Burke et al. 1991), with attainment of the object indicating the success of a competitor. Moreover, in the traditional business perspective, this accomplishment reflects their status as the competition's victor, and the dictum "business is war" (Brandenburger and Nalebuff 1996, p. 3). Thus, defeating competitors and damaging their value is a measure of competitive success (Dagnino and Rocco 2009). Competition is associated with market based governance. Competition strategy is widely applied in tourism sectors such as hotels, restaurants, and transportation (Enz 2010; Olsen 2004; Olsen and Roper 1998). In line with the contemporary approach to competition strategy, the tourism and hospitality industries tend to analyse their environment and maximise core resources or competences in order to gain competitive advantages (Olsen 2004). Other scholars adopt a similar framework at the destination level, such as in the concept of destination competitiveness that emphasises the destination's ability to attract tourists in the global market (Enright and Newton 2004; Gomezelj and Mihalic 2008; Ritchie and Crouch 2003).

Cooperation emerges as an alternative to competition strategy by emphasising the cooperative interdependencies among firms oriented to gain competitive advantage (Contractor and Lorange 1988; Dyer and Singh 1998; Ma 2004; Padula and Dagnino 2007; Wilkinson and Young 2002). The firms' interdependencies are a system of interactive and continuous relationships among them (Dagnino 2009). Thus, the value of success is based on mutual benefit: the more successful a firm is, the more benefit there is for its partners (Dagnino 2009; Nielsen 1988). Often non-economic factors are used to explain cooperation including cultures, institutions, norms and social systems that support trust among partners (Buckley and Casson 1988; Child et al. 2005). Hence, these perspectives support the role of non-market institutions in organising and maintaining competition and cooperation in strategic management (Aoki 1996).

The cooperation strategy has been employed in various studies of the tourism sector, such as the hospitality industry (Enz 2010; Tribe 1997), ecotourism management (Kluvankova-Oravska and Chobotova 2006; Stronza Lee 2009), and destination marketing (Wang and Fesenmaier 2007). The framework of this strategy emphasises the formation and maintenance stages of cooperation (Wang and Fesenmaier 2007) that require an efficient institutional design to reach common goals in cooperation (Kluvankova-Oravska and Chobotova 2006).

Both competition and cooperation strategies are vital in strategic management (Teece 1992). Competition is important for gaining individual benefits as well as applying effective management (Porter 1980, 1985), whereas cooperation enhances collective benefits (Child et al. 2005) and joint problem solving (Uzzi 1997). Although the neoclassical economists argue that the two strategies are independent and oppositional, that is, "competition and cooperation do not mix" (Gomes-Casseres 1996, p. 71), behavioural and game theorists argue that competition and cooperation may involve different interdependent actions (Chen 2008; Padula and Dagnino 2007; Walley 2007).

The term 'coopetition' was coined in the 1980s by Raymond Noorda, the Chief Executive Officer of Novell (Brandenburger and Nalebuff 1996; Dagnino and Padula 2002; Luo 2007), and later introduced to academic research by Brandenburger and Nalebuff (1996). Coopetition occurs when competitors simultaneously cooperate on and compete over different activities (Bengtsson and Kock 2000; Brandenburger and Nalebuff 1996). Thus, they cooperate in achieving mutual goals while at the same time compete with each other to gain individual benefits (Bengtsson and Kock 2000; Zineldin 2004).

The concept of coopetition was originally applied in economics by employing game theory, which recognises competition for gain over others as a zero-sum game and cooperation as a positive-sum game that emphasises mutual benefits (Brandenburger and Nalebuff 1995; Padula and Dagnino 2007; Palmer 2000). However, coopetition is a variable-positive-sum game that presents mutual gain, but does not necessarily bestow fair benefits on participating partners (Dagnino and Padula 2002). This concept is based on the structure of coopetition that accrues challenges from the opportunistic behaviour of competitors (Dagnino and Padula 2002). Thus, coopetition is rooted in the socioeconomic perspective that emphasises the embeddedness of people's actions in the social systems and institutions of which they are a part (Granovetter 1985; Lado et al. 1997). It is an alternative strategy that sits between pure competition and pure cooperation; coopetition is shaped by the degree of competition and cooperation among stakeholders.

Furthermore, some scholars have addressed the role of coopetition in promoting innovation amongst co-opetitive stakeholders (Bouncken and Fredrich 2012; Gnyawali et al. 2008; Morris et al. 2007; Ritala and Hurmelinna-Laukkanen 2013; Ritala and Sainio 2014; Yami and Nemeh 2014). Coopetition can create economics of scale, reduce risks, and control the complementary resources among stakeholders. Coopetition as an approach of strategic management plays a significant role in the study of tourism. In order to attract tourists, a complex destination product that various stakeholders offer (Palmer and Bejou 1995) necessitates their cooperation. This allows the destination to gain a competitive advantage in the global market. Generally speaking, stakeholders need to cooperate at the destination level but tend to compete at the local level (Pesämaa and Erikson 2010). Edgell and Haenisch's (1995) study introduces the concept of coopetition in tourism by proposing partnerships or alliances among stakeholders such as government, businesses, non-profit organisations, and community in marketing a tourist destination (Edgell et al. 2008).

In terms of the factors of coopetition, an exploratory research study in two destinations, Lapland in Finland and Riviera di Romagna in Italy, illustrates the significant effect of tourism seasons on coopetitive behaviours. Cooperation among stakeholders increases significantly during the low season particularly when they need to attract visitors to the destinations, while it decreases during the high season when the stakeholders are busy serving their visitors (Kylänen and Mariani 2012). Here, the tourism season is an external factor that changes the desire of the stakeholders to cooperate.

In terms of levels of relationship among the stakeholders in coopetition, tourism research commonly uses the network level of analysis, since the majority of tourism stakeholders are co-located in a tourist destination. The need to attract tourists with a complex destination product that various stakeholders jointly create necessitates that these stakeholders cooperate (Palmer and Bejou 1995). This may allow the destination to gain a competitive advantage in an increasingly global market.

2.1. Institutions in Coopetition

As a concept in strategic management, coopetition provides opportunities for participants to gain significant competitive advantages because it allows stakeholders to achieve mutual goals with their partners and at the same time compete in gaining individual benefits (Bengtsson et al. 2010; Dagnino and Rocco 2009). However, the different natures of competitive and cooperative strategies in coopetition can cause potential conflicts. Thus, participants need to clearly define responsibilities and agree on an effective mechanism of coopetition (Zineldin 2004). In formal activities, this takes the shape of a formal contract that legally anticipates uncertainty in the coopetition (Eriksson 2008). An institution consists of a cost of exchange process of interdependent firms or stakeholders. In fact, this cost is recognised as the key to economic performance (Das and Teng 1999; North 1989). The 'good' performer is the one who contributes to the creation and implementation of the institutions, whereas the 'bad' performer who does not take part in the institutions but still benefits from them is called a 'free rider' (Ingram and Inman 1996). The latter potentially exist in coopetition because they are not only driven by competitive behaviour, but also by individualistic or self-interested behaviour (Wagner 1995). Thus, institutions are associated with enforcement mechanisms (North 1989) that consist of rewards or incentives for 'good' performers and sanctions for 'free riders' (Chen and Bachrach 2003; Ostrom 2009a). Furthermore, empirical research illustrates the significant role played by enforcement in promoting cooperation (Fehr and Fischbacher 2004; Sefton et al. 2007).

Zineldin's study (Zineldin 2004) on coopetition also recognises the bi-directional relationship between institutions and cooperating participants. In the first direction institutions can control the cooperating participants' behaviour, while in the second direction the participant's behaviours can influence the institutions. The ability of stakeholders to interpret institutions is identified as one of the key factors affecting the duration of the institutions establishment. Furthermore, other studies recognise different problems in maintaining institutions based on the stakeholders' perspectives on, and responses to, coopetition. The greater problem may appear in the institutional maintenance stage rather than in the establishment stage (Park and Russo 1996). Thus, the success factors of coopetition are sited in the loyalty and trust between participants in the process of coopetition and institutions (Zineldin 2004).

The foregoing discussion leads to the main issue relating to the role of institutions on coopetition. Given that coopetition consists of competitive and cooperative behaviours, the role of institutions on competitive actions in coopetition must be addressed separately. Two main institutions of competitive behaviours exist: the first institution is the power of the 'invisible hand' that controls competition in society, while the second institution is the market, defined by demand and supply, which takes on the role of institution in neoclassical economics (Burke et al. 1991).

2.2. Institutional Analysis

The Institutional Analysis and Development (IAD) Framework was developed to understand how institutions operate (McGinnis 2011), and in response to existing institutional studies founded on individual disciplines that were dominated by market-focused economics, and politics that were focused on hierarchies (Ostrom 2005a). In 1982, scholars initiated the development of a framework from various disciplines such as politics, economics, social psychology, and geography to explore how institutions affect individual behaviours (Ostrom 2009b). The core of a IAD Framework is action situations that are influenced by external variables (Ostrom 2010). Hence, this framework consists of components that determine stakeholders' decisions and behaviours in terms of their interaction with the other stakeholders, as well as their concerns about a particular situation.

Contextual factors/external variables that affect action situations include biophysical conditions, attributes of community, and rules in use. 'Biophysical conditions' refer to the nature of goods or shared resources among the stakeholders, while 'Attributes of community' refers to the location of each action situation. Here, 'Attributes of community' include internal homogeneity and heterogeneity of the stakeholders, as well as the knowledge and social capital of the stakeholders who participate in each action situation. 'Rules in use' refer to the common understandings among the stakeholders that define what actions, behaviours, or outcomes are required, prohibited, or permitted. These 'Rules in use' might include formal regulation and informal institutions within the community (Ostrom 2005b, 2009b, 2010, 2011).

Commonly, the scholars who apply the IAD Framework analyse biophysical conditions of shared goods/resources based on the four basic types of goods (Bushouse 2011; Gibson 2005; Ostrom 2005b). Based on two main attributes of the goods, that is, sub-tractability of use (jointness of use or consumption) and difficulty of excluding potential beneficiaries, the goods can be classified into private goods, public goods, common-pool resources, and toll/club goods (Ostrom and Ostrom 1977). 'Private goods' are both subtractive goods and high rival in consumption. These goods are commonly provided by the market, and the stakeholders have property rights on the goods by paying the cost of consumption (Adams and McCormick 1987). 'Public goods' refers to non-subtractive goods that all users can gain benefit from. In the case of 'common pool resources', users cannot be excluded from accessing the common-pool resources, but the consumption of this type of goods by one user can influence other users' opportunities to gain common pool resources (Ostrom 2005b). Lastly, 'toll/club goods' refers to non-rivalrous but small scale goods that members of the club can gain benefit from while excluding non-members in its consumption. Additionally, the scholars consider membership fee or toll payment as the determinant factor to gain benefit from club goods. This payment is likely to be referred to as the exclusion cost of the club goods, such as single membership fee (coarse exclusion) and single entry fee (fine exclusion) (Sandler and Tschirhart 1997).

Action situations are at the core of the IAD Framework and represent the social space where two or more individual stakeholders interact, exchange resources (cooperate), and/or fight (compete) in producing outcomes. These actions situations are based on the stakeholders' choices derived from their position and power among other stakeholders, available resources and information, as well as prediction on the potential outcomes. Here, the results of action situations form a pattern of interactions among stakeholders and outcomes (McGinnis 2011; Ostrom 2005b, 2009b, 2010, 2011).

Outcomes refer to the potential results of each action situation. The institutional analyst can predict the outcomes of action situation on the stakeholders (valuation on the benefits and costs), as well as the shared resources (focuses on the sustainability of shared resources, particularly the common pool resources) (Clement 2010; Mishra and Kumar 2007; Ostrom 2005b, 2009b, 2010, 2011).

Evaluative criteria are the tools that the institutional analyst uses to evaluate the achievement based on the outcomes and process of an action situation. These criteria can be adjusted based on the case, such as economic efficiency, equity in terms of fiscal equivalence and redistribution of outcomes, accountability, and adaptability in terms of ability to respond environmental changes (Ostrom 2005b, 2009b, 2010, 2011). Further, the IAD Framework can be opened up in order to analyse the structure of an action situation. Here, in order to understand the interaction among the parts of the IAD Framework, the exploration can be preceded by analyses of the following questions: Who and how many stakeholders interact in the action situation? What positions exist for each actor (e.g., the levels of government)? Which set of actions are allowable among the stakeholders? What are the potential outcomes (cost and benefit) of each action situation? How does each actor control his/her action situation? How much information do the stakeholders have about the external variables and potential outcomes? (Ostrom 2010, 2011).

3. Application for Tourism at the Local Level: The 'Century of Local Power'

Tourism is an interesting context in which to study governance as it lies at the intersection of the public, private and community sectors. Traditionally, the public sector has taken a "top-down", centralized and bureaucratic approach, that has seen government assume responsibility for infrastructure provision, planning control, marketing and promotion, and proactive development for the perceived public good. Recently, and in line with the managerialist trend in Western countries, an alternative "bottom-up", decentralized and inclusive form of governance in which local communities and businesses are encouraged to take more responsibility for management (Vernon et al. 2005) has gained traction. This trend is reflected in this book as the "Century of Local Power".

In many countries the full competence for tourism does not lie with the central governments, therefore, there is a significant role to be played in tourism governance at the sub-national or local level. The central government will often seek to harmonize the tourism policies of the sub-national governments to ensure that the private sector does not face significantly different policy regimes in the regions in which it operates. An important issue for many central governments continues to be the development of a country brand that can provide an 'umbrella' under which the sub-national brands may function. Clearly then governance of tourism at the sub-national level must involve consideration of the potential to work cooperatively under a national umbrella brand, to be effective. Here we see evidence of coopetition occurring as competitors must cooperate under this national brand.

A second important issue is that at the sub-national level there is an opportunity to interact with a wide variety of smaller businesses, and regional or local industry representative bodies. At a central government level, it is often necessary and beneficial to interact with peak industry bodies and the largest tourism businesses, such as airlines, international hotel chains and tour operators. As a consequence, at the sub-national level these interactions tend to be less frequent, except in the largest tourism destinations, and governments must consider how to interact with large numbers of small and diverse private sector businesses.

This closeness to the private sector will often mean that sub-national governments will be responsible for operational regulation and enhancement of service quality. Sub-national governments must also concern themselves with land-use planning as tourism is specific to a particular site or location. One of the consequences is that in many countries, there is a significant history of tourism policy development at the sub-national level and development of a national policy for tourism may be relatively new. In those countries with three levels of government, the differences between central and regional government in policy focus and 'closeness' to small businesses are replicated between regional and local governments.

Sub-national governments often have two organisations for the management of tourism. The first is the government ministry or agency that is ultimately responsible for policy and governance issues, provides an interface to other ministries such as those concerning economic development or the environment. The second, a destination management organisation (DMO), often in the form of a public private partnership, manages the interface with the private sector and has a primary responsibility for marketing and promotion. The DMO is usually funded by, and reports to, the responsible sub-national government ministry or agency. A regional DMO may also establish a series of sub-regional or local DMOs to provide a destination level structure.

Effective governance at the sub-national level, with or without a DMO in place, is strongly connected with active participation by the stakeholder. In economic development, there is now a consensus that action must be co-ordinated at the local level, and ideally also with related policy areas, to stimulate synergy, avoid conflicts, and make the best possible use of the information available. Improving local governance i.e., the way policies are co-ordinated, adapted to local conditions and oriented in partnership with civil society and business (OECD 2001, p. 13), has thus itself become a goal of government. Improving local governance enhances the effectiveness of certain policies and takes full advantage of the resources and energy of business, civil society and the other levels of government in the pursuit of common objectives (OECD 2004, p. 10).

Apart from human capacity issues, co-ordination of tourism policy development involving multiple levels of government faces problems with overlap of jurisdiction. The mismatch between catchment areas and political jurisdictions leads to negative externalities and financial imbalances and can complicate coherent planning for region-wide infrastructures and network industries. This reinforces the need to carefully designate the boundaries of tourism regions and DMOs. In some cases, such as tourism regions that cross national borders, effective policy development and governance may involve the creation of new organisations. Moving forward, the issue for policymakers is to find governance mechanisms, e.g. tools and incentives, that enable policy coherence in spatially and economically homogenous but politically fragmented areas.

A lack of clarity on the roles and responsibilities of different stakeholders is also a key factor in limiting cooperation. Ambiguity is created by a lack of awareness about the coverage of different organisations and fears that other agencies might take over particular 'territories'. Furthermore, when agencies have a limited awareness of what other agencies are doing it may be easier to maintain the status quo by not forcing collaboration or confrontation, but such indifference can be a major cause of fragmentation and service gaps. The above discussion indicates there is a need for better understanding of the way in which different government and business stakeholders interact both cooperatively and competitively within a tourism destination to facilitate enhanced governance arrangements in tourism destinations.

4. Discussion and Conclusions

We may now draw together the various threads of discussion in this chapter. A tourism destination may be seen as a series of action areas where institutions provide governance arrangements that support collaboration and competition at the same time. In order to understand these governance arrangements we can use the IAD framework to identify and analyse these various action areas. Such an approach provides a number of important advantages in understanding how to manage tourism destinations. Firstly it provides a proven framework that can be used to compare different destinations and to understand in detail how their local institutions provide the governance arrangements they use. It recognises that each destination is unique in some way and allows for examination of how governance arrangements differ due to these unique characteristics. On the other hand, it is likely that certain action situations may be similar across different destinations. Common action situations may include policy development, cooperative marketing, information exchange and so on. This cross examination also provides the opportunity to understand how each destination develops innovate tourism development strategies through coopetition.

By providing a means to examine the detail of action situations, the IAD framework allows examination of the factors that lead to good or bad governance. Certainly the approach recognises that coopetition in a tourism destination can be analysed as cooperation in one action situation and competition in another. Alternatively, we might find that there is a serial cooperation and competition within the one action situation, thus supporting prior finding that stakeholders in a tourism destination cooperate in achieving mutual goals and, at the same time, compete with each other to obtain individual benefits (Bengtsson and Kock 2000; Zineldin 2004). The IAD framework can deal with the complexity of coopetition as an economic behaviour. This complexity might occur as the result of overlapping interests among the involved organizations within different level of territories or jurisdiction boundaries. Their interest can be explored in their action situations and rules in use in a destination. Hence, the IAD framework stresses the role of norms and trusts in a tourism destination and how stakeholders in a tourism destination are socially interdependent.

For example, strategic issues of climate change or inclusive development may be considered action areas where particular stakeholders in a destination cooperate and compete. Examining these interactions can allow the rules in use and shared resources to be identified and feasibility of alternative evaluated based on the costs and benefits for each stakeholder. Thus, by exploring the internal structure of the action situation, we can identify the stakeholders involved in coopetition as well as their position and control over the complementary resources. Some issues, such as the inclusiveness of marginalised stakeholders (those who have less control over resources) can be addressed. Therefore, we recommend adaptation of the IAD Framework (Ostrom 2005b, 2009b, 2010) to explore the complexity of coopetition among stakeholders in tourism destinations. Developing these more nuanced understandings of contemporary governance arrangements are crucial for dealing with the increasing complexity tourism destinations face in the century of local power.

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