The role of tourism public-private partnerships in regional development: a conceptual model proposal

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Abstract
Tourism is characterized as being a sector that stands out as one of the business activities with the greatest potential for worldwide expansion, and as an engine for economic growth. If at the national level, the appeal of tourism is significant, on the local level this sector presents itself as an essential tool in regional development, as a means to avoid regional desertification and stagnation, stimulating the potential of more undeveloped regions. In such a competitive sector as tourism, companies should develop synergies and achieve competitive advantage. In this context, public-private partnerships play an important role in regional development. The aim of this paper is to present a theoretical context that combines different concepts and elements to explain and understand the public-private partnership phenomenon in tourism. A conceptual model of the role of public-private partnerships will be proposed in order to contribute to successful regional development.

Key words: partnerships; public-private interface; regional development; conceptual model; tourism

Resumo
O turismo caracteriza-se por ser um sector que se tem destacado como uma das actividades com maior potencial de expansão a nível mundial e como um impulsionador do crescimento económico. Se a nível nacional o interesse do turismo é significativo, a nível local esse sector apresenta-se como um instrumento fundamental no desenvolvimento regional, sendo um meio para evitar a desertificação e a estagnação económica das regiões, estimulando as potencialidades das zonas mais deprimidas. Num sector de grande competitividade como o do turismo, as empresas devem implementar alianças e outras formas de cooperação, para desenvolverem sinergias e alcançarem vantagens competitivas. Nesse sentido, as parcerias público-privadas desempenham um papel importante no desenvolvimento regional. O objectivo deste estudo é desenvolver um quadro teórico, de forma a combinar diferentes conceitos e elementos para explicar e compreender o fenómeno das parcerias público-privadas no turismo. Será ainda proposto um modelo conceptual do papel das parcerias público-privadas de turismo, no sentido de contribuir para o sucesso do desenvolvimento regional.

Palavras-chave: desenvolvimento regional; parcerias publico-privadas; modelo conceptual; turismo.
Introduction

Tourism is acknowledged as one of the most relevant economic and sociological phenomena of the present time. In this millennium, this sector constitutes a structural element of the dynamics of the global economy, since it has become established as one of the most important sectors worldwide (PITER, 2005). The strategic positioning of peripheral regions may be achieved by identifying aggregated products, the establishment of public-private partnerships (PPPs) and the creation of networks (BREDA; COSTA; COSTA, 2004). For over two decades, networking has been accepted as a very important factor of competitive advantage, for both regions and companies (PORTER, 1990).

In today’s world, companies must compete on a global scale, but they must also adjust to their environment, to become more efficient and effective locally. Networks can play a significant role, since they facilitate access to knowledge, resources, markets and technologies (COSTA et al, 2007). The tourism industry is in a transition phase and is subject to increasingly sophisticated demands. In response, tourist destinations are networking, on a wider scale, to offer a more satisfactory experience to the consumers of tourism (GRAY, 1996). However, Erkus-Öztürk and Eraydin (2010) state that, despite the increasing amount of discussion on the role of networking in tourism; this is not supported by empirical studies and fails to explain how these networks may contribute to the sustainable development of territories. To dispute this idea and, given the importance of partnerships for regional development and the increasing competitiveness in the tourism sector, this study aims to propose a conceptual model of tourism public-private partnerships, as a contribution to successful regional development.

To meet the goals of our study, we started by generally contextualizing the concepts of partnerships and public-private partnerships in the first section. Afterwards, a literature revision was made, to shed more light on the subject of partnerships in the tourism sector. In section three, we propose a conceptual model of public-private partnerships in the tourism sector. At the end, we present the advantages, final considerations, limitations and proposals for future investigation.

General framework

Networks are considered an important way to create opportunities and transfer knowledge, since the build-up of extended relationship networks allows, directly or indirectly, greater environmental perception (FRANCO, 2006). In this sense, cooperation between companies presents itself as a suitable response, allowing companies, in diverse domains, to strengthen and/or complete their limited resources, without jeopardising their own individuality (FRANCO, 1995). The importance of strategic alliances for organizations has been increasing significantly, registering a tendency to continue to evolve, because of factors such as increasing international competitiveness, rapid technological progress and the steady market, customer and supplier sophistication that has been witnessed (FRANCO; BARBEIRA, 2008). Strategic partnerships, in the form of strategic alliances, are a cooperation method that may be established between public sector entities or between private sector companies, or even between public and private organizations. The objective of this section is to clarify a set of concepts and elements related to partnerships and PPPs.

Partnerships

Kernagham (1993) defines partnership as a relationship that involves the sharing of power, work, support and/or information with others, to achieve common goals or mutual benefits. Partnerships are recognized as ways of cooperation, of relevant importance for the promotion of a long-term strategic thinking. The obtained results are flexible and innovative, producing policies that meet initial needs and expectations (CHAPMAN, 1998). Partnerships may be formed for several reasons. Riege, Perry and Go (2001) and WTO (2003) identified several reasons leading to a partnership: i) the reduction of risk and costs of accessing new markets, through reinforcement of financial resources and share of human resources, ii) extending the scope of operational actions, taking as an example small companies that reach international markets by affiliating with companies or groups with a larger scale, iii) acquiring capacities and knowledge, iv) directing customers through more effective distribution channels, v) the creation of new products or services and vi) achieving higher levels of
efficiency and economies of scale. According to Spink and Merrill-Sands (1999), a set of factors explain the success of a partnership, including the following elements: i) strong vision of the goals to achieve, ii) strong and shared leadership, iii) shared definition and approach to the problem, iv) equitable power, v) interdependency and complementarity, vi) responsibility sharing, vii) attention to the process, viii) communication links, ix) explicit decision-making process, x) trust and commitment and xi) credit and recognition. These elements are interdependent, as shown in the following figure, in a way that their successful implementation allows the creation and development of an open and trusting environment.

**Figure 1 - Elements for a successful partnership**

According to WTO (2000), many strategic partnerships are formed between companies that compete aggressively for the same market but understand the benefits of cooperation to strengthen that competitiveness.

**Public-private partnerships (PPPs)**

PPPs may be seen as a cooperative alliance between the public and private sectors, in different areas of intervention which are traditionally inherent to the public sector, but without embracing a complete privatization process (LINDER, 1999). The underlying premise of PPPs is to benefit all parties involved, through alignment of their resources and goals. PPPs are becoming more common, because governments realize these agreements may have many tangible and immediate benefits, and the private sector is granted access to new markets and opportunities (PARTNERING…, 2002). According to Kim, Kim and Lee (2005), PPPs are essentially partnerships between public sector organizations and private sector and corporate investors, for the purpose of conception, planning, funding, construction and supply of infrastructural equipment or exploration of services. ECLAC (2007) adds that PPPs are characterized by the sharing of risks, investment, resources, responsibility and rewards.

According to Kim, Kim and Lee (2005), PPPs are not the solution for the complete transfer of all services, since partnerships of this kind have process benefits and risks. According to these authors, the benefits are the following:
Cost Reduction – With PPPs, governments are able to perform cost economy, not only for the construction of capital projects, but more importantly, in operating and maintaining services;

Risk Share - With PPPs, the government may share the risks with a private partner. The risks may include excess costs, failure to meet the time limit for delivering a service, difficulties in complying with environmental regulations and others, or the risk that earnings may not be sufficient to pay for the operational and capital costs;

Improve Service Levels or Maintain Current Service Levels – PPPs may introduce innovation in how delivery of the service is organized and performed.

Earnings Improvement - PPPs may set user rates that reflect the true costs for a specific service. Public-private partnerships also offer the opportunity to introduce innovative income origins, that would not otherwise be available through conventional service providing methods;

More Efficient Implementation – Efficiency may be achieved through the combination of several activities, such as creation and construction, more flexible acquisitions and hiring, faster approval for more efficient capital funding and decision making;

Other Economic Benefits – Greater government involvement in PPPs may aid and stimulate the private sector and contribute to increased employment and economic growth.

As far as risks are concerned, Kim, Kim and Lee (2005) state the following:

Loss of Government Control – PPPs, by their nature, imply the share of risks and decision-making between partners. PPPs that involve significant investment and risks by the private partner often mean greater partner involvement in decisions on how services are delivered, as well as on prices;

Greater Spending – In establishing price and fee policies for service users, not all governments consider the “true” service-providing costs. The service provided through PPPs demands price and tax policies that reflect the entire cost;

Political Risks and Labour Issues – Many governments lack experience in PPPs and this lack of familiarity with PPPs by governments and interested parties may result in greater political risks. Collective agreements and labour laws applied to the PPP may cause an adverse response from unions or civil servants;

Responsibility Issues – With PPPs, the responsibility for service provision is less clear to the public than the traditional method. This may result in public criticism of the partnership and of the involved partner, or demand greater government involvement, to ensure conformity and response to public demands;

Insecure Services – Private partners may suffer labour disputes, financial problems or other circumstances preventing them from honouring their commitments;

Lack of Competition – Competition leads to innovation, efficiency and lower costs. Governments may not be able to benefit from PPPs if there is a limited number of potential private partners with the know-how or ability to respond to a certain proposal;

Reduced Quality or Service Efficiency – If not properly structured, PPP contracts may result in reduced quality of the service, inefficiency or lack of suitable maintenance of an installation;

Imbalance in the Selection Process – The conventional forms of service provision may generate potential problems for the government, which may be accused of partiality in the selection of proposals.

According to ECLAC (2007), PPPs may assume many forms to promote tourism as part of the competitiveness of this sector, updating strategies in several areas and using several tools. In this context, the following section deals with PPPs in the tourism sector.
The tourism activity

According to Jackson and Murphy (2002), it is governments themselves that identify tourism as a possible means to achieve economic development, given the scarcity of jobs in traditional sectors of the economy. The same authors assert that the development of tourism is being able to produce an integrated territorial destination able to attract and support the volume this may generate in the future.

Global networks are particularly crucial for tourism companies, because it is an essential condition that there are strong relationships between suppliers and companies, such as tour operators, necessary to attract global customers and maintain competitiveness in the worldwide tourism market (ERKUS-ÖZTÜRK, 2009). In this context, the WTO (2003) states that cooperation in many tourism areas is evolving towards the establishment of formal partnerships, between the various parties involved in the public and private sectors, considered fundamental for the increased competitiveness of this activity.

The tourism stakeholder theory

A tourist destination is the combination of products, services and experiences offered in a certain well-defined geographical area that allows perception of the impacts of tourism, as well as management of the demand and supply, in a way that maximizes the benefits of all stakeholders (BUHALIS, 2000). Application of the stakeholder theory to any industry assumes that moral matters become a concern to be disclosed in the companies’ management (ROBSON; ROBSON, 1996).

The marketing strategies adopted by any destination should consider the desires and expectations of all stakeholders, such as the resident population, entrepreneurs and investors, tourists, tour operators, intermediaries and other interest groups. One of the major difficulties is to assure the usage of public assets like natural resources, for the benefit of all stakeholders and at the same time preserve those resources for forthcoming generations. Conflicts often arise, especially if the stakeholders intend to benefit from the existing resources in a short-term perspective (BUHALIS, 2000). The relationships between tourism stakeholders, in the perspective of Buhalis (2000), are clear in figure 2.

Figure 2 - Relationships between stakeholders in tourism

The stakeholder theory works as a normative tool in tourism planning that may be used to promote cooperation between the fundamental parties involved in the planning process. Stakeholder interaction has highlighted the importance of the resource of partnerships, as a way to mobilize the different groups of intervening bodies and coordinate effectively the interests of each (ROBERTS; SIMPSON, 2000).

**Partnerships in tourism**

Witt and Moutinho (1995) claim that partnership through strategic alliances may constitute the key to the survival of small companies in the hotel and catering industry, in travel and other sectors of tourism. Alliances may be applied to small businesses, through the creation of partner networks. These alliances emerge in the light of trends to concentrate and internationalize, associated with the sector and the tourist industry.

Long (1997) states that tourism partnerships are sets of cooperative efforts between autonomous stakeholders, representing organizations in two or more sectors with interests in tourism, that team up in an interactive process, using common rules, norms and structures, at a previously established organizational level and in a delimited geographical area, acting or making decisions on issues related to the development of tourism.

Partnerships between public and private sectors and close cooperation between local suppliers constitute essential factors to allow destinations to offer quality products. Exceeding consumer expectations is a way to ensure destination maintenance successfully and in the long-term (BUHALIS, 2000).

The WTO (2000) defines the functions and responsibilities of the different bodies involved in public-private partnerships in tourism (table 1).
Table 1 - Functions and responsibilities of public-private partnerships

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Having a vision for tourism</td>
<td>Understand the environmental and social concerns of governments and local communities</td>
</tr>
<tr>
<td>Provide a favourable environment for tourism, which allows sustainability and profits for the private sector, offering free capital flow and facilitating investments</td>
<td>Develop skills and the wish to use competence, access to finance for development and operation of tourism services</td>
</tr>
<tr>
<td>Ensure proper infrastructures and their maintenance</td>
<td>Assume collective responsibility for spreading and practising industry standards, considering ethics, moral and justice</td>
</tr>
<tr>
<td>Generate sufficient market conditions to stimulate the sustainable development of tourism</td>
<td>Contribute to preserving culture, traditions, and environment, leading the education and orientation of tourists, as a fundamental directive for the sustainable development of the sector</td>
</tr>
<tr>
<td>Provide support, favourable terms and services to the private sector, along with incentives</td>
<td>Involve local communities in tourism development and assure they are satisfied with the benefits directed to them</td>
</tr>
<tr>
<td>Ensure a flexible labour legislation</td>
<td>Develop measures for training professional labour skills, in order to achieve excellence in service quality</td>
</tr>
<tr>
<td>Ensure steady regularization and a fair tax policy</td>
<td>Cooperate with governments to ensure the safety and well-being of tourists</td>
</tr>
<tr>
<td>Provide a regulating model through consultation with all stakeholders, for the protection of natural, cultural and social environments</td>
<td>Contribute to the development of research and creation of statistical databases</td>
</tr>
<tr>
<td>Ensure local communities’ well-being, as well as the well-being of domestic and international visitors</td>
<td>Resort to technologies, in order to increase the effectiveness of operations, tourism marketing and service quality</td>
</tr>
<tr>
<td>Carry on research initiative, in cooperation with the private sector, for the supply of information about markets to the industry and the community of investors, to improve the perception and understanding of market changes</td>
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</tbody>
</table>


Following a study published by the WTO (2002), the main objectives leading to the creation of a partnership were identified, according to the different areas of action. The following table sums up some of the foundations justifying the partnership, by the different parties composing the tourism stakeholders.
Table 2 - Objectives in creating partnerships

<table>
<thead>
<tr>
<th>Products</th>
<th>Marketing and Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value and preserve resources</td>
<td>Develop the destination image</td>
</tr>
<tr>
<td>Establish quality standards</td>
<td>Develop marketing efficiency</td>
</tr>
<tr>
<td>Develop attractions, theme parks and accommodation</td>
<td>Improve the scope and coverage of the markets</td>
</tr>
<tr>
<td>Provide technical support for the development of innovative programs</td>
<td>Provide support for marketing and electronic distribution, including the internet</td>
</tr>
<tr>
<td>Contribute to the economical well-being of the community</td>
<td>Provide support for participation in exhibitions</td>
</tr>
<tr>
<td>Create sustainable development of tourism</td>
<td>Value the cooperation of marketing programs</td>
</tr>
<tr>
<td>Overcome investment barriers</td>
<td>Access new markets</td>
</tr>
<tr>
<td>Protect consumers</td>
<td></td>
</tr>
<tr>
<td>Face the competition</td>
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<table>
<thead>
<tr>
<th>Research and Technology</th>
<th>Infrastructures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide research methodologies and quantitative analysis</td>
<td>Develop roads, transport infrastructure and basic services</td>
</tr>
<tr>
<td>Implement tourism satellite accounts</td>
<td>Ensure public health and sanitation</td>
</tr>
<tr>
<td>Facilitate technological developments</td>
<td>Ensure safety</td>
</tr>
<tr>
<td></td>
<td>Develop communication systems</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish quality and service standards</td>
<td>Obtain investment and funding</td>
</tr>
<tr>
<td>Offer training and education programs</td>
<td>Influence public investment</td>
</tr>
<tr>
<td>Develop productivity and innovation</td>
<td>Obtain initial investment</td>
</tr>
</tbody>
</table>

Source: adapted from WTO (2002).

Rejuvenation of the tourism destination may be encouraged through strong PPPs, because only through long-term projects with a view to the future, is the total competitiveness of destinations brought about (WEIERMAIR; PETERS; FREHSE, 2008).

Critical success factors of tourism partnerships

Partnerships between the public and private sectors are increasingly recognized as a strategic option for the development of tourism. However, there is a gap in the studies conducted on this subject, mainly concerning the efficacy and efficiency of such partnerships. It is therefore necessary to identify the critical success factors of these cooperation forms in tourism (AUGUSTYN; KNOWLES, 2000).

Identification of factors that influence partnership success is fundamental for its analysis and for a full understanding of the scope of this sort of cooperation. In this sense, we present a list of factors that allow the committed entities to create a PPP, to obtain a more immediate and correct perception of the principles that should sustain and maintain cooperation in tourism.
Table 3 shows some success factors in managing public-private partnerships in the tourism sector, according to the WTO (2000).

**Table 3 - Success factors in managing public-private partnerships in the tourism sector**

<table>
<thead>
<tr>
<th>Success Factor</th>
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<tbody>
<tr>
<td>A balanced structure, with clear role assignment and responsibility for all members;</td>
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<tr>
<td>Leadership sharing between both sectors, with shared and well-defined goals, realistic expectations and identification of the benefits on both sides;</td>
</tr>
<tr>
<td>A flexible approach by partners, along with the will to understand each partner’s needs, contributing with the share of resources;</td>
</tr>
<tr>
<td>Awareness by all partners that the development of tourism must be sustainable, from an economic, but also social and environmental point of view;</td>
</tr>
<tr>
<td>A long-term commitment that combines strategic vision and planning with specific short-term goals able to be measured;</td>
</tr>
<tr>
<td>Periodic evaluation of the effectiveness of the role performed by each partner;</td>
</tr>
<tr>
<td>Accurate and effective communication between partners and from partners towards all stakeholders.</td>
</tr>
</tbody>
</table>


In the perspective of Kim, Kim and Lee (2005), the critical success factors in managing public-private partnerships in the tourism sector involve: i) expert experience, ii) well-founded objectives, iii) partnership development structure, iv) effectiveness and efficiency of partnership actions and v) sustainable nature of the partnership.

Other critical success factors of great relevance for this sort of cooperation, according to Augustyn (1996), Augustyn and Knowles (2000) and Stoner and Freeman (1992), are: i) the formality of the agreement – which establishes the partnership should be simple and based on legal requirements, ii) clear goal definition – the lack of explicit goals reflecting private sector interests reduces the commitment of potential companies to achieve the partnership goals, iii) organizational structure – a partnership should base itself on effective coordination that demands the establishment of an efficient information system and an effective support network. The benefits of information from social networks are crucial for the success of partnerships. The key to the success of any partnership relies on recognition that the partnership constitutes a business relationship, where members share risks, rewards and responsibilities for success or the lack of initiative (WTO, 2003).

Identification of critical factors that may influence the success of partnerships is essential for their success. To do so, it is important to approach issues such as partnership formation and organization, the goals at the very base of that formation and its organizational structure.

**Conceptual model proposal**

The arguments for emerging networks, especially related to tourism activities, are essentially theoretical and few case studies define them, showing a need for more (ERKUS-ÖZTÜRK; ERAYDIN, 2010). This being so, presentation of a conceptual model of public-private partnerships, to contribute to successful regional development, has the objective of serving as a support for regional case studies for future geographic and temporal comparisons.

The proposed model has a central point that consists of a tourism stakeholder relationship network (tourism industry, tour operators, local government departments, tourists, public sector and government, universities and the community) with the PPPs of the tourism destination, considering the resources and attractions available, influenced by the partnership goals and the critical factors that may influence the success of the partnership. The objectives are based on the products, infrastructure, human resources, marketing and promotion and funding. The critical success factors are based on the formality of the agreements, clear goal definition, organizational structure, leadership and flexibility, social networks and the efficiency/efficacy of the partnership performance. The model represents an interactive tourism system. If there is harmony between the
various relationships and variables, these aspects will contribute to the success of the partnership and therefore contribute to the regional development of a tourist destination.

The following figure presents a theoretical conceptual model proposal for successful public-private partnerships, for the development of a regional tourist destination.

**Figure 3 - Conceptual model for public-private partnerships for the development of regional tourism**

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**Final considerations**

The approaches to partnership studies are countless and may be studied according to different points of view. A basic concept of the utmost importance defends that partnerships evolve in a dynamic manner, in response to both internal and external forces. The key factor leading to partnership relies on the fact that all partners, either from the public or private sector, wish to benefit from sharing resources and objectives. This study led to the conclusion that the importance of partnerships, as a way to ensure sustainable development of the tourism sector tends to present itself as something consensual and evident. However, the great difficulties and obstacles the creation and organization of partnerships face are also undeniable. The main threats to the success of
partnerships are usually associated with the perceptions that potential members have of one another and of the organizational structure they possess. From the same perspective, identification of critical success factors is revealed to be of great importance for correct partnership management, acting as a reference of good practices for the creation and maintenance of this cooperation method.

The proposal of a conceptual model for public-private partnerships presented here, makes a contribution to regional development, may contribute to identification of gaps and potentials for competitive development that will aid the competent entities in their management tasks.

This paper has limitations related to the fact that the model presented was not tested empirically, as well as the shortage of specific studies about the tourism partnership phenomenon in Portugal. In fact, the interface between the public-private domains has received great importance in national and international contexts, due to the economic and financial crises. Thus, the model presented may be looked upon as a small step in the study of public-private partnerships in tourism, a matter that should be researched in future studies, namely through a case study of inland regions and geographical and temporal comparisons. Another investigation proposal is to apply this model to other sectors of activity, with the necessary adjustments.
References


