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# PUBLIC AND PRIVATE DYNAMICS AND CO- OPETITION: EVIDENCE FROM THE TOURISM SECTOR

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**Public and Private Dynamics and Co-opetition:  
Evidence from the tourism sector**

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# Public and Private Dynamics and Co-opetition:

## Evidence from the tourism sector

### Abstract

Often co-opetition arises whenever competing companies start to collaborate. The formation of this simultaneous presence of cooperation and competition is often triggered by a certain institutional context where the public sector pushes companies to cooperate with each other. This situation is particularly important in the tourism sector where relevant public stakeholders (such as Destination Management Organizations) support a collaborative attitude and practice among tourism businesses. In this paper we focus on the role of the public sphere in creating the conditions for the private sector to shift from a constant sum to a variable sum game, often through a kind of public-private partnerships. Our comparative study shows that cooperation and co-opetition can be strengthened by the public sphere and that public-private relationships are crucial in order to strengthen the brand image of a tourism destination or an entire region and to attract more tourists.

**Keywords:** Inter-organizational relationships; public-private partnerships; tourism destinations; co-opetition; qualitative study

### Introduction

The current business trends worldwide show that pure competition and pure cooperation are no more – and probably have never been – effective reference concepts to describe the day-to-day activities and relationships of organizations. In fact in many practical cases and situations co-opetition seems to be the most suitable framework to portray the actual behaviors of economic actors on the marketplace. Co-opetition has to do with the co-existence of competition and cooperation (Dagnino & Rocco, 2009; Mariani, 2007; Bengtsson & Kock, 2000) which leads to value creation within extensive, multiple organizational networks that go beyond the boundaries of an individual firm. As a consequence, it is becoming more valuable than ever to explore the recent developments and approaches within the co-opetition strategy research field.

Globalization processes are bringing about increased international competition but also increased opportunities for collaboration among enterprises and businesses willing to compete on a global scale (Baggio and Mariani, 2012). This is the reason why inter-organizational relationships are becoming progressively more relevant for small and medium co-located companies. This trend is very frequent in tourism destinations wherein competing tourism businesses have also to cooperate in order to better market a tourism destination and to strengthen its brand image in order to attract more tourists and customers in the area.

In this process the public stakeholders (e.g., the Destination Management Organizations) often take on the leading role encouraging private companies to collaborate with each other and inducing the formation of co-opetitive strategies (Kylänen & Rusko, 2011; Mariani, 2009, 2008, 2007).

Previous work has identified how co-opetitive dynamics evolve over time according to the timeframes through which companies collaborate and compete (Kylänen & Mariani, 2012). However extant research has not sufficiently emphasized the role of the public sphere in creating the conditions for the private sector to shift from

a constant sum to a variable sum game, often through the formation of public-private partnerships (Pongsiri, 2002). Our comparative study bridges this gap, showing that cooperation and co-competition can be strengthened by the public sphere and that public-private relationships are crucial in order to strengthen the brand image of a tourism destination or an entire region, to attract more tourists and to strengthen the business agglomeration. Our empirical setting consists of two European tourism destinations (namely Lapland in Finland and the Riviera di Romagna in Italy) where businesses tend to both cooperate for a successful destination branding strategy and compete to increase their profits.

The paper is structured as follows. In section 2 we illustrate our theoretical background which draws on three major antecedents: co-competition strategies, inter-organizational relationships, and public-private partnerships. In section 3 we depict the empirical setting, and exemplify our research methods and techniques. The fourth section describes our business cases. Section 5 provides a comparative discussion of our findings, relating them to public-private partnerships within the co-competitive contexts analyzed. The sixth section elucidates our major conclusions and implications for academicians, managers and policy makers. The last and concluding section offers several reflections about the limitations of our study and a future itinerary of co-competitive research.

### **Theoretical background**

Our theoretical antecedents are three-folded: 1) co-competition, 2) inter-organizational relationships, and 3) public-private partnerships. Relevant management literature has elucidated that often pure competition or pure cooperation represent hollow theoretical concepts as in many real world contexts organizations compete and cooperate simultaneously (Brandenburger & Nalebuff, 1996; Brandenburger & Stuart, 1996; Dagnino & Rocco, 2009). Accordingly, several scholars have emphasized that more attention should be devoted to the processes and antecedents of co-competition (Kylänen & Mariani, 2012; Kylänen & Rusko, 2011; Mariani, 2009, 2007).

A more consolidated research stream than co-competition studies, the extant literature dealing with inter-organizational relationships represents a second major theoretical reference for our study. While the first set of studies within this field has explored the characteristics of strategic alliances, the second set has described the features of collectives of organizations. According to the first collection of analyses, organizations have been described as actors relying on cooperative devices in order to achieve a superior competitive advantage (e.g. Garcia-Canal et al., 2002; Powell et al., 1996; Zaheer, 1995; Contractor & Lorange, 1988). Within the second set of inquiries, organizations have been represented as members of a collective, jointly mobilizing action and resources towards the achievement of shared ends (e.g. Astley & Fombrun, 1983; Reur & Ariño, 2007; Barnett et al., 2000; Bresser, 1988; Astley, 1984). Sometimes the outcomes of inter-organizational relationships can be unforeseen as they result in organizations having “fuzzy” boundaries in which organizations can have “seam-less” inter-organizational collaboration (Gummesson, 1994).

Often inter-organizational relationships involve the government (at either the national or local level) on one hand and one or more private firms on the other hand. In these cases scholars tend to use the label private-public partnerships (PPPs) (Siemiatycki, 2010; Vining & Boardam, 2008), even though the precise boundaries of the PPPs are still emerging (Mistarihi et al. 2012).

Over the last three decades, public private partnerships (PPPs), also known as ‘P3s’, and ‘Private Finance Initiatives’ (PFIs) have been deployed worldwide as new

instruments for providing the public with goods and services. According to Siemiatycki (2010), the PPP market in the UK is the most active internationally even though more than 1,100 projects worth US\$ 450 billion have been initiated and implemented around the globe using one or more PPP forms. Typically in PPPs while the government retains ultimate responsibility for the delivery of the good or service, it becomes a partner with the private sector in decision making and delivery (Yescombe 2007).

The reasons why public and private sector organizations develop relationships are basically three: reduction of uncertainty, management of dependence, efficiency in exchange. Sometimes public-private partnerships can be the by-product of a legal mandate (Mariani, 2007; 2009; Raelin, 1980) which in its turn can be triggered by a perceived crisis (Fosler & Berger, 1982). The different cultural backgrounds of the partners (public on one hand and private on the other) can generate failures because the organizations may not agree on social norms (Rainey, 1983, Ring and Perry, 1985).

Often networks of private companies are created around a public sector entity in the tourism sector when it comes to promoting and marketing a tourism destination (Boivin, 1987; Stevens, 1988). This happens because both sectors have incentives to behave accordingly: from the perspective of the private companies, a single organization is often unable or unwilling to handle the complexity or risks of its environment and to meet the skills and resource demands essential for competing in the global market (Cravens et al., 1993) as individual companies recognize that collectively they can achieve more than the sum of their individual efforts (Anderson & Narus, 1990). From the perspective of the public local government authority, being involved in destination management is relevant for five reasons: 1) the development of tourism adds directly to the rateable base of an area; 2) the promotion on an area by the private sector alone will not work where non-contributors to a promotional effort can receive all the benefits of area marketing without paying any of the costs; 3) in some cases some companies (e.g., hotel chains) might not be interested in promoting a certain area; 4) the local authority provides vital elements to the tourism destination product (Baggio et al., 2013); and 5) collaboration of public and private sectors creates synergy for the entire region and the industry (Palmer, 1996; Stamboulis & Skayannis, 2003; von Friedrichs Grängsjö, 2001). In fact, it can be said that tourism is a driver for the PPPs, and in the case of destination development public-private partnerships are inseparable (e.g. Selin, & Chavez, 1995; Jamal, & Getz, 1995).

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## **Data and methodology**

### ***Case study methodology and research design***

We have adopted an in-depth qualitative approach as it was more consistent with our exploratory aim (e.g. Eisenhardt, 1989). Our research design builds on a significant quantity of data gathered systematically during eight years. It covers in total almost 10 business cases on two tourism destination areas of Lapland, Finland, and Riviera Romagnola, Italy. Our analysis is based on a longitudinal perspective (Pettigrew, 1990) and observation (Hammersley & Atkinson, 1995). Since we are set to clarify a phenomenon whose knowledge is scant, the case study approach is preferable to other research methodologies (see Eisenhardt, 1989; Eriksson & Kovalainen, 2008).

## *Empirical setting*

### *Presentation of the cases*

In the ensuing section we introduce the cases on which we have based our empirical study of the relevance of PPPs in cooperative contexts. The cases analyzed in the study are the Santa Claus Village in Lapland, Finland and the theme park Mirabilandia in the Romagna region. In the cases we have applied a multiple set of qualitative methodologies, such as case studies and ethnographic field work. In particular, we have conducted thematic and semi-structured interviews, and used company visits, observation, workshops, and document data to gain a more thorough view of the ways PPPs and cooperation get understood, accounted for and acted upon (see e.g. Nason & Golding, 1998; Hammersley & Atkinson, 1995).

In the presentation of the cases, we have highlighted the following topics: (1) the *history* of the business/resort/destination/theme park/site; (2) the overall *structure and organizational features* of the business and how it relates to relevant stakeholders and networks, and in particular the PPPs; (3) the description of the formation and development of interorganizational and *cooperative and cooperative dynamics* between selected companies, with a focus on practices and motives to build PPPs.

### *Interviews*

In Italy, seven semi-structured interviews have been conducted with key personnel, e.g. the management of the chosen company and officials of the specific destinations. In Lapland, five interviews were done in the Santa Claus Village among key personnel, and two interviews were done in the regional tourism association. The seven thematic interviews lasted from 30 minutes up to two hours. Thematic structure was mainly followed in the interviews, and the topics covered both company level information and regional and international cooperation. Also, structural, attitudinal and historical differences that create challenges and tensions to cooperation and the public–private partnerships were discussed. In particular, decision making processes and their interconnectedness with public–private partnerships were in the foci of the interviews. The interviewees were asked to describe their business practices and their connection to entrepreneurial identity processes. The interviews were important in giving voice to the entrepreneurs, and learning about meanings the interviewees give to strategies and operational actions.

### *Archival data*

We have also used archival sources, published information and sector studies released by the tourism authorities such as the Assessorato al Turismo, Regional Council of Lapland, and tourism associations of relevant regions, provinces and municipalities (e.g. the report of APT Emilia Romagna), as well as press releases, leaflets, pamphlets, annual reports, and materials generated by consortia management and tourism policy makers. Document data offered us detailed, written information and concrete examples on e.g. destination marketing that helped us to bridge the gap between saying and doing.

### *Observation*

Ethnographic fieldwork also played an important role in the overall data sample both in Finland and in Italy. Observation has taken place in about twenty official and unofficial meetings and events, product testing occasions and customer encounters. For instance, the meetings have included get-togethers with local companies, municipalities, governmental organizations and other stakeholders. The meetings lasting from 20

minutes up to four hours covered planning and decision making in the areas of product development, marketing, cooperation and strategic management, and also administrative issues. Together with the interviews and the document data, this fieldwork data forms a diverse and thorough set of information for an in-depth analysis. Our main motive in using the observation method was to find out how things occur in natural settings. Observation method has been useful for us, since we have studied socially organized groups and institutional surroundings with specific work practices, values and relationships with our aim to identify and understand meanings, concrete processes and the aforementioned saying/doing gap *in situ* (see e.g. Hammersley & Atkinson, 1995). For instance, observation was important in covering the concrete processes, practices, and atmosphere of cooperative development work.

## Cases

### *Santa Claus Village, Rovaniemi*

The Santa Claus Village is a tourism attraction located in the outskirts of the city of Rovaniemi, in Lapland, Finland. It is one of the premier tourism attractions in Northern Europe (Pretes, 2007). It is a shopping village combination that also includes several activity services, restaurants, souvenir and craftsman shops, accommodation and sites to visit and experience. This business agglomeration of SMEs involves tens of souvenir shops, programme service companies, art and activities around snow and ice, other types of sites, and cafes and restaurants. The village is built around the themes of Santa Claus and Christmas, and it invites approximately 350 000–500 000 tourists (of which about 40 000 during Christmas time) per year. The Santa Claus Office is one of the most visited sites in the village. Their business concept is based on the Santa Claus whom people can visit every day and capture the moment with a group photo in addition to some Santa-related merchandise. The Santa Claus Post Office receives hundreds of thousands of letters to Santa from all around the world. Another popular attraction is the Christmas House that hosts an exhibition about international Christmas traditions. The Village is characterized by several shops, of which the most popular one is a department hosting Finnish design clothes, glass art and kitchen utensils. Also, there are some husky and reindeer facilities situated nearby.

More recently, also Santa Park, the Santa Claus' home cave, was included in the concept although it is located a few kilometers from the core of the Village towards the city centre (South). The Santa Park was opened already in 1998 as a children- and family-oriented theme park. After unsuccessful business years the surrounding municipalities, and afterwards the City of Rovaniemi alone, took responsibility in owning the company. The concept was entirely modified to meet more unique Christmas theme, and eventually in 2009 the theme-park was sold to its current, motivated private business owners who have shown commitment in developing the site.

The colorful history of the village dates back to the year 1950 when the First Lady Eleanor Roosevelt paid a visit to Rovaniemi in the middle of the post-war reconstruction work. The city officials decided to build a tourism attraction, a traditional Northern Finnish cabin, by the highway leading to north. Even before the war, there used to be a pole to mark the Arctic Circle as a geographical landmark of the gateway to the North.

The development of organized Christmas and Santa Claus tourism in Lapland is said to have begun in the 1980s. The National Tourism Organization (NTO), Finnish Tourism Board, created a new marketing program to enhance Finland's and Lapland's tourism image. A specific focus was put on the theme of Christmas and Santa Claus as a tourism attraction. In 1984, the Governor of Lapland declared the province 'Santa Claus

Land', and initiated development of several Christmas-themed attractions. The Santa Claus Village was opened in 1985. Today, charter jets from the United Kingdom, Italy and Spain bring visitors for short-term package tours, allowing them to experience not only the Santa Claus Village, but also reindeer-drawn sledge rides, Sámi culture, and the snowy scenery of Lapland. In addition to international tour operator related tourism, individual tourists arrive by plane from all around the world, but also the MICE segment is maintaining its strong position. (Pretes, 2007.) After the Western Christmas celebrations the Russians arrive, so frankly speaking the Christmas season lasts from mid- or late-November to mid-January.

The companies who work in the Village have organized their activities jointly under an entrepreneurs' association to pool resources in planning and marketing and to complement each other for a Christmas related customer experience. It seems that current and emerging tourism and consumption trends are favorable for the Santa Claus Village. Theme-based tourism and endless possibilities in product development around the myths of Christmas and Santa Claus without forgetting the Christmas ideology appeals to people around the world with its good values and the universal story of caring, loving and sharing create many advantages for the Village. However, the companies have proved to be rather arguing, and only recently the over-commercialism has become challenged by authentic multi-sensory Christmas experiences where the good values have also been connected to business values and overall atmosphere. (See Kylänen 2007; Pretes, 1995, 2007.)

"I have tried to convince my fellow entrepreneurs in the association, and the city and province officials, too, to shift from mass tourism to more authentic experiences. Our product, the village, should be less about commercialism and materialism, and more about pure values of Christmas. Today, the customers search for meanings and experiences, and we have the possibility to 'tackle' that. - - However, this calls for cooperation and mutual understanding." Interviewee #5

The role of the Santa Claus Village for the city of Rovaniemi and its gateway position for Lapland tourism is very important. Vice versa the city provides vital elements to the tourism destination product. However, cooperative and competitive tensions between the village and the city center without forgetting the cooperation-competition imbalance within the village, among the entrepreneurs, are under a constant debate. For instance, after a recent extension of business by a private company, the village now provides cottage accommodation services. This may cause a situation where the tourists cannot or do not have to visit the city center at all during their short visit, also due to weak public transportation between the city center and the village with the distance of 8 kilometers. Disagreements between some key entrepreneurs in the village and low level of differentiation in offerings (e.g. souvenirs) have hindered the possibilities of inter-firm cooperation. However, the plans to draw nearer the distances between physical business places, attractions and socio-cultural distances between people are constantly being presented. Additionally, complementary business concepts are being fine-tuned.

"Well, the [entrepreneurs'] association is not too active, you know, but of course, I should have been more active myself, too. Anyway, we have had some quarrels within the village, but I think the situation has got much better now. Especially the



role of the city officials and developers has been central. They have helped us to see beyond our short-sighted competitive spirit, and have made efforts towards more cooperative attitude in the village, among the company representatives, I mean.” Interviewee #3

“As a city and as our business development organization we put quite a lot of effort in developing the areas between the key attractions. In general, we talk about our Christmas Triangle to cover the entire region from the city airport to the Village and again to the Santa Park. We have been able to involve universities, development agencies and businesses in joint projects.” Interviewee #6

As described both by the entrepreneur and the public official, the role of the municipality and the public sphere has been important to initiate and maintain cooperative spirit in the village. In particular, it has paid off in a brand development project where the city officials together with local entrepreneurs and researchers and developers have co-created a living lab innovation environment that offers a platform for the business, the public sector, the research and development even the customers to meet and develop things together (LEO Finland, 2010). The work has so far resulted in publishing a strategy for the Christmas brand of Rovaniemi, and in the near future this will also clear the way for a more systematic strategy planning and action for the holistic destination development. All in all, both the city officials and companies working in the Village consider the PPPs fertile for controlling and sharing risks of development, and to manage and coordinate the entire region and interconnectedness of the actions taken.

The village is under constant development work. In the following years, more emphasis will be put on unified quality standards (e.g. “made in china” vs. local handicrafts; and customer service quality), visual image and joint marketing, extension of the key product (from Santa as a site/person to visit vs. good values and meanings attached to Christmas time more generally to invite more companies beyond Santa figure and beyond high-season), and more thorough and broad-minded, year-round Christmas branding of Rovaniemi (with an important angle based on the village). It seems to be widely acknowledged that Christmas related product should lean more heavily on holistic meaningful experiences around-the-year than simple gift-giving during Christmas time.

Obviously, the relationship and balance between cooperation and competition is an important issue to follow, if not to solve. If the village and Rovaniemi’s Christmas tourism is to extend from a single attraction (e.g. a visit to the Santa Claus) to a more multiple, interconnected and sustainable experience, the product should be more augmented. In fact, the usual international Christmas tourism package includes the key winter image driven activities of Lapland; reindeer sleigh rides, husky sled rides and snowmobile safaris. This calls for a cooperative approach. Also, in the future more cooperative spirit is needed, be it a direction towards self-supporting, thematic attraction (the Santa Claus Village) or a more Rovaniemi-driven destination product. Involvement of the local people and creation of a more unified destination “metascript”, a philosophy for the site, should not be forgotten in front of the international customer searching for unique Christmas experiences. As indicated in the quote below, companies seem to struggle from day to day with their entrepreneurship spirit where they focus on themselves compared to their altruism and cooperative spirit where they think about

their business more broadly. This obviously underlines the role of the public authorities to balance with the drawbacks of tourism cooperation, such as free riding.

“For us, companies, it is not always the easiest of tasks to look outside our windows and doors. As an entrepreneur you have to concentrate mainly on yourself, isn't it so. However, this village is our joint product, and we all have our role to play in it. We have to learn to think about our customers to make them come, and the entire village to develop the destination as a whole. Sometimes, in the development projects you may face a situation where every company can't win at the same time. Some of them may benefit in the short-run while others may have to wait a lil' longer.” Interviewee #2

“Interestingly, it seems to be so that the role of our city office is vital in keeping up the cooperative spirit in tourism development. The entrepreneurs are rather busy with their own everyday business. Then again, of course, it is easier for us officials to underline the importance of long-term cooperation, since our monthly payment is not based on that result. It is not our economical investment, although we are naturally after the tax money. However, we wish to invest on this socially and with our use of time. - - - I do have to say, that the entrepreneurs see ‘the big picture’ nowadays even better.” Interviewee #1

As von Friedrichs Grängsjö (2003) has identified when studying Swedish tourism resorts, two contrasting attitudes and forms of behavior are present in everyday life of tourism destinations. To balance with the “company first” and the “destination first” values, norms and behavior, The Santa Claus Village should serve both the company and the destination interests. The public-private partnerships help to follow both economic-rational and value-emotional commitment in the business agglomeration.

#### *The theme parks in the Riviera Romagnola: a focus on Mirabilandia*

Riviera di Romagna area hosts many of the most popular Italian theme park attractions. In addition to Mirabilandia, our case study attraction, the list includes Aquafan, Oltremare, Italia in Miniatura, and Fiabilandi. We have concentrated our attention for convenience sake on Mirabilandia business case and then we extended our analysis on one of its direct competitors, Aquafan.

#### **Mirabilandia**

Today, Mirabilandia is one of the most important theme parks in Italy, with an average of two million visitors per year over the last 5 years. The history of Mirabilandia is marked by three relevant phases. In 1987 Finbrescia (46%), San Paolo Finance (44%) and Publitalia (10%) have invested 150 billion Liras to establish the company "Parco della Stadiana". The park was first opened in July 1992, with the expectation of one million visitors. The first five operating years were not successful for the site with only 660,000 visitors until the year 1996. This was due to bad forecasting, managerial inexperience and harsh competition with the direct competitors in the Riviera Romagnola (Aquafan). Eventually the story went towards bankruptcy.

In 1997 a new property Loeffelhardt/Casoli took charge to form the second stage of development. They began a multi-annual investment plan with massive steps in new

giant rides and shows that were partly borrowed from a partner park Phantasialand; introduction of a new logo and mascot; TV appearances; and the establishment to move from direct competition to territorial cooperation among other theme parks in the area (particularly with Aquafan). The second development phase can be considered to have ended in 2003 when Mirabilandia Beach Water Park was opened.

The third stage started in 2006–2007 when, first, a Spanish group Parques Reunidos took over in 2006, and secondly, it was bought by the British investment fund Candover. Candover brought a significant amount of expertise and funds for important new attractions such as Reset and iSpeed. In particular, they were able to combine global and local expertise and managed to maintain the structure, creativity and ideology of the park by holding on artists, craftsmen and technicians who were entirely Italian.

This led to a clear trend where visitors who chose Mirabilandia as a destination increased over time more than visitors who visited Mirabilandia just because they were visiting The Riviera di Romagna or because they are local residents. Mirabilandia entered the international tourism business with high standards. This state of affairs can be read from other theme parks of the Riviera di Romagna (e.g. Aquafan). More importantly, it shows the importance of building heavily on a set of destinations with similar but complementary (that is, not identical) features. The ability to attract visitors and tourists by themselves, regardless of the fact that their tourists are interested specifically in the Riviera di Romagna, is of high value.

The managers of the most relevant parks in the late 90s realized this, which eventually assisted in establishing a number of cooperative initiatives. The initiatives which took place particularly during the last decade starting from 2000 related with different forms of cooperation for the promotion of the theme parks themselves. As one of the top managers underlined:

“We want that before leaving to Riviera they [the visitors of Romagna] should know that they have a variety of choices in terms of theme parks and we hope of course to be “THE” choice for them. But if we don’t collaborate to build an image of Riviera as a region rich with theme parks, then we might have less visitors, so cooperation is very important”. Interviewee #2

Furthermore, in several interviews it was addressed that in the late nineties most managers started to look at the other theme parks as competitors serving the same destination with a diversified offer of activities so that they do not step on each other’s toes, as it is stated in the extract below:

“We are complementary and my park has something different from the others and it’s the same for the other... So our assets are unique and for a visitor who is interested in my assets, I have no doubt that s/he will visit my park in the end. So, you know, cooperating is a win-win solution anyway”. Interviewee #5

In the development, the public sphere has played a remarkable role in offering business opportunities for international investors. They have not remained on their regional surroundings but looked ahead with high expectations and made it easy and attractive for business companies to take role both in ownership of theme parks.

Moreover, the public sphere has left a sufficient space for companies to identify inter-firm possibilities themselves, by identifying other potential partners within the destination.

### **Analyzing the Public–Private Partnerships in tourism destination over time**

The study conducted on tourism destinations significantly contributes to both theoretical discussion and business development of coepetition. In what follows, we illustrate how the form, nature and intensity of the public–private partnership changes as the temporal feature of coepetition varies (see Kylänen & Mariani, 2012). First we present here below the matrix that covers the forms and emergence of cooperation, competition and coepetition over time (Kylänen, & Mariani, 2012).

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Public authorities can guide or even impose competing business companies in a specific region/area to cooperate in certain circumstances and to make a better use of resources (see also Kylänen, & Mariani, 2012). However, they should stay alert on the possible drawbacks of cooperation. If public funding becomes the main objective as such – instead of a motivating instrument – this may lead the region astray. Indeed, over-motivating incentives or simply the lack of company-level resources and commitment might generate a loss of a competitive approach and this may create more harm than advantage. For instance, the quality level of the services provided within the subsidized destination/region may drop thus undermining the very same competitive advantage of the region and therefore the same existence on PPPs. Another scenario of an imbalanced coepetition could be a situation where public funding is not incorporated into regional development by individual companies: in this case PPPs would be useless in the long term for a destination as a whole.

All in all, in the case of a network product or a territorial destination product experience, it is not enough that only the competing firms evaluate the benefits and possibilities of a cooperative approach, but the public sphere should do the same – and more importantly – keep up the debate about balanced coepetition in the region so that the co-existence and simultaneity of competition and cooperation might be maintained over time thus generating a competitive advantage for the whole destination.

In our study we have found that public authorities (such as the Destination Management Organizations, DMOs, or city marketing offices) play a significant role in the management and development of the commercial site. Tourism authorities support the collaboration of competing companies by allocating resources and direct funding for image marketing and brand management activities at the level of the entire region or the territorial tourism product. However, tourism businesses are encouraged, even governed, to take more responsibility on product marketing activities at company or inter-firm level.

The form, nature and intensity of the public–private partnerships seem to vary when moving from a quadrant to another of Figure 1. For instance, in the case of quadrant C, the role of the public organizations mainly comes in the picture as a short-term campaign funder. Altogether, the involvement of the public sphere is in this case more or less sporadic and thus the resulting coepetitive dynamics among companies are

not a lasting attitude. Although cooperation and competition are more or less balanced in the short-term, the regional business and public actors do not have the certainty for an enduring balance.

In quadrant D competition prevails (see Kylänen, & Mariani, 2012), and the development seems to follow an evolutionary logic with “the survival of the fittest”. The public organizations do not have enough of power, funds or sense of responsibility to enhance the cooperative spirit in the long-run. This may cause sporadic cooperative activities, such as on/off seminars and campaigns. Public funding is used in the form of a cash cow. However, the projects and the development work are unable to activate the region towards balanced cooperation, and the development acts are not adopted as the future norm.

In quadrant A the role of the PPPs is more connected with the overall development and long-term cooperation of the region. For instance, a municipality or the local government may take a significant role in the image marketing activities of the destination. Also, the importance of cooperation and reasonable competition is addressed in public development programmes, strategies and public speeches. PPPs lead to mutual trust-building and to the allocation of considerable incentives for companies to work together. Nonetheless, in this situation companies could find themselves locked between a rock and a hard place as they could easily lose their will to constantly develop the region as a whole, but also their single businesses due to the lack of competitive approach, as the cooperation prevails.

In quadrant B, however, PPPs operate in their full potential, as forums are organized for inter-firm and stakeholder meetings, joint strategies are crafted, and the balanced cooperation is supported both economically and socio-culturally by the public sphere. This leads to a situation where cooperation and competition are balanced in the long-term (see Kylänen, & Mariani, 2012).

### **Managerial and policy making implications**

In our study we have analyzed how public–private partnerships help companies to create and maintain inter-firm networks in agglomerated business activities and offerings, such as tourism destinations. As a whole, we have discussed the role of the collaboration between the public sphere and private enterprises in developing regions, with a specific attention to the temporal dimension of the aforementioned partnerships.

Our analysis provides several significant implications for academicians on one hand and business managers, business environment developers and policy makers on the other. In the case of a regional business agglomeration, in general, and a territorial network product, in particular, it is vital that different stakeholders (public and private) adequately ponder the opportunities and challenges of cooperation. Even if there is a certain amount of rhetoric going on about the need for cooperation among businesses operating in a certain business agglomeration what is relevant is that public–private partnerships might generate benefits for both companies and public organizations constantly higher than the costs (and risks) that they incur by opting for a mix of cooperation and competition.

Furthermore, public–private partnerships create an institutional context for inter-firm relationships by supporting and maintaining cooperation. In so doing, the public organizations take part overtly and covertly in the regional decision making when it comes to inter-firm cooperation. Cooperation in tourism destinations is a complex, value-driven process (Kylänen, & Mariani, 2012), and the multiple tools and channels of the public sphere brings in significant socio-cultural-political dynamics (Raelin, 1980). When this is connected with the simultaneous nature of cooperation, institutional context

(global–local; public–private etc.), and co-located nature of tourism production and consumption, coordination of coopetition, thus, calls for a systematic approach.

In what follows, we illustrate several key points that may be useful for regional business developers, tourism destination management, and policy making. We, hence, suggest our findings to be useful for many kinds of business agglomerations and interconnected business environments that combine inter-firm coopetition and public–private partnerships within a global–local context.

First, as the companies often shift from a prevalently short-term basis to a long term one of collaboration (Kylänen, & Mariani, 2012), also the form, nature and intensity of the public–private partnerships change within the context of coopetition. The public authorities (such as the local DMOs, the city marketing offices or entrepreneurial associations) should identify and self-evaluate their role to ensure the most suitable procedure and practice in the specific setting. Interestingly enough, the public organizations should also learn to leave a sufficient space for companies to identify inter-firm possibilities themselves. An over-enthusiastic provision of financial incentives without clear long-term objectives may prevent the destination from renewing itself over time (see Nordin, 2003).

Secondly, when the PPPs are effective and well-coordinated, together with synergetic incentives, the business environment, with the characteristics of a destination or a region with agglomerated businesses, can support both internal and external stakeholders to see the benefits of simultaneous cooperation and competition. Eventually this may also enhance important status-building in regional development (towards e.g. the EU or governmental funding), not only the customers and international network partners.

The third implication on the basis of our study deals with institutional settings that precede the actual coopetition strategies. Hence, our study supports the previous findings (e.g. Kylänen, & Mariani, 2012) by showing that balanced coopetition depends on both initial, internal processes and institutional, external activities. As the cases address, in the region there should be both networks of small firms willing to work together, and simultaneously individual firms eager to excel and sometimes overperform the other ones, thus pushing the public sector with the ability to see beyond the next door and to act in a more challenging way, especially in terms of greater commitment to a marketing orientation (Palmer, 1996). For instance, in the case of Mirabilandia the companies have been able to see the big picture and find a cooperative path leading to mutual learning (see Kylänen, & Mariani, 2012). In the case of the Santa Claus Village even the active municipalities have not been enough to secure a smooth landing of cooperative thinking to balance with fierce competition (see Kylänen, & Mariani, 2012).

Fourthly, a virtuous cycle needs to be created by the public sphere if the PPP is aimed at working effectively. More specifically, the public authority should be able to put in place the right incentives for private companies to be willing to constantly improve their own performances and to be willing to emulate the best players. This might improve the performance of the destination/area where they are located. In order to reach this objective, the local government and authorities should be able to reward and punish each individual company with a constant benchmarking exercise which is very complex as managing in PPPs requires to be flexible to effectively respond to the unexpected changes in the environment that are more common in managing PPPs than in traditional unilateral-owned organizations (Mistarihi et al., 2012).

Last but not least, it seems to be important that the public organizations and semi-public operators (together with universities in the area) take an active role in

helping the business managers to anticipate possible future changes, be it legislation, land-use and zone planning, new market entries or changes in the customer behavior. Frequently, these threats help bringing companies closer to each other. As our cases indicate, for instance the customer is a strong “glue” between the companies but long-term cooperation and balanced competition can not necessarily be achieved with spontaneous coordination inside the market. In many cases the public sphere should act to bring together regional co-located businesses to collaborate with each other (cf. Kylänen & Rusko, 2011; von Friedrachs Grängsjö, 2003; Araujo & Brito, 1998).

### **Limitations and research agenda**

Due to the exploratory nature of our study, our results are still preliminary and a number of questions are still unanswered, contributing to define the future paths of research. First, the business cases illustrated are part of a small sample focusing on a single but nevertheless multidimensional sector, namely tourism businesses/destinations. Our qualitative methodology allowed us to parsimoniously focus on a few features of PPPs particularly relevant in cooperative contexts: the cases analyzed were internally heterogeneous (to obtain richer information) but externally homogeneous (to provide basis for consistent comparison). In order to dig more in depth about the nature of PPPs within cooperative contexts we should increase the number of cases analyzed and enlarge the number of countries and industries and sectors under consideration. While the limited number of cases is a physiological constraint when little is known about a phenomenon, it allowed us to enrich the current perspectives with further empirical substantiation (Eisenhardt, 1989).

A further avenue for future research could be to address the role that public and private investors and funders play in the development of effective cooperative contexts for business agglomerations. More specifically it would be interesting to focus on the mechanisms used by the public actor in order to create self-enforcing mechanisms for the individual private companies to work proactively in order to improve not only their own performance but also the performance of the collective of organizations.

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FIGURE 1

Temporal dimensions of Coopetition (Kylänen, & Mariani, 2012).

