

## Cases in Public-Private Network Collaboration and Services Innovations

Local Tourism Development

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**RESEARCH** **10:2**  
**REPORT**

**Jon Sundbo**

**Cases in Public-Private Network  
Collaboration and Service Innovations**

**Local Tourism  
Development**

**Center for Service Studies  
Roskilde University  
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## Preface

Centre of Service Studies at Roskilde University has participated in a project in the EU 7<sup>th</sup> framework program about public-private networks and service innovation(ServPPINs) (the ServPPIN project).

The research question investigated by the ServPPIN project is: What is the role ServPPINs within innovation systems and their impact on growth, employment, and welfare? What is their impact on growth, employment, and welfare?

The objectives of the case studies have been:

1. *To investigate the role and impact of within ServPPINs.*
2. *To investigate the character and efficiency of public-private innovation partnerships within services.*
3. *To assess the impact of the selected ServPPIN projects on public service quality and performance.*

The project has investigated four service areas: health care, knowledge intensive services, tourism and transport. Case studies have been carried out in 11 European countries to answer the research questions. In Denmark we have carried out case studies in health care, knowledge intensive services and tourism.

Each case is a network that has led to one or more successful service innovations. In all the cases five research issues have been investigated:

- The context of the innovation
- Five key dimensions in the innovation process:
  1. Types/process of innovation
  2. Type of innovation network
  3. Drivers/Barriers
  4. Institutional factors
  5. Impacts and policy issues
- Unexpected results

The case studies may have a general interest since they are examples of public-private networks that have led to service innovations. Therefore, we publish the case studies.

# Case Local tourism development

## 1. The case in a nutshell

This case is about creation of local tourism entrepreneurship with the aim to developing local tourism in Denmark. It was a planned project that involved a network of local tourism managers. The local development should according to the idea of the project be initiated by the local tourist managers.

Local tourist development is made by single tourism firms innovating, however, tourists normally go to a destination, not a single hotel or other tourist attraction (Leiper 1990). Therefore it is important that several tourist firms and eventually the municipality and other public institutions develop innovations to attract tourists to the area. A kind of destination innovation where several single-innovations are bunched is wanted. That demands entrepreneurship and innovative spirit and it demands coordination. Local tourist board managers could do this because they should coordinate local tourist promotion and networking between local tourist actors. Further, tourist firms are not very innovative compared to other service sectors (Sundbo, Orfila-Sintes and Sørensen 2007) thus an effort to increase the innovation rate in tourism is also wanted.

The innovation in this case is creation of a role of the local tourism board managers as network entrepreneurs, i.e. persons that initiates and coordinates innovation activities in local tourist firms, the municipality and public institutions.

The local tourist boards started in the 20th century as local voluntary tourist associations. The members are primarily firms that have a business interest in tourism: hotels, restaurants, retail firms, transport firms etc. The associations had the aim of marketing the local area as a tourist destination. They often established an information office that was open during the tourist season. Members of the associations were also many private persons. There were no employees in the organisations except perhaps one part time employee. Only in the large cities existed tourist information offices with a permanent staff. The local tourism associations developed and started to employ people in the tourist office. They also started making contract with local tourist firms to market their products. The municipalities started supporting the tourist information organisations and managers were engaged. Today the local tourist information organisations are organised within municipalities (or a small group of municipalities) and supported mainly by the municipalities. They are still formally private organisations, and their task is primarily to market the area as a tourist destination. However, the managers of the tourist information offices are often involved in municipal industrial development and coordinate their effort with the industrial development office in the municipality administration. The local tourism managers also have a large network to local tourist firms and tour operators that send tourists to the destination.

The case starts with an initiative in VisitDenmark, the official national Danish tourist board. This organisation is financed by the Ministry of industry and is an independent organisation under the ministry. VisitDenmark has its own managing director and own board. The task of VisitDenmark is to sell and market tourism in Denmark. It has a national perspective and is independent of tourist firms and local tourist organisations and municipalities. However, people from VisitDenmark of course know the local tourism managers and there is a network between all these people. This network also includes people from the regional tourism promoting organisations that are independent organisations financed by the Ministry of industry. The regional tourism promoting organisations also have managers and have the task of marketing and developing the region as a tourist destination. Their task thus is similar to the local tourism boards and there is a certain competition between these two levels, the municipal and the regional ones, but also cooperation.

VisitDenmark wanted to develop Danish tourism, but they are dependent on the single destinations develop and the tourist firms in the destinations are innovative. VisitDenmark decided to educate the local tourist managers to increase their general competencies. Therefore they established a project for which they applied for a grant from a public fund. The project was to develop a training programme that should be offered to all local Danish tourist managers and employees from the local tourist offices. All competencies should be increased. A steering committee with representatives from VisitDenmark, the local tourist managers' association and some researchers was established. So far this project was similar to many training projects. An innovative element came up during the planning phase of the steering committee. It was suggested that the local tourist managers should play the role of local network entrepreneurs (cf. Johannisson 1987) that should initiate and coordinate innovation activities in the local tourist firms. This should be a core element of the training program, which then became innovative. Training programs for tourist employees and managers had traditionally been concentrated on the narrow business tasks of the tourist information offices. The main content of training programs has traditionally been marketing, but also HRM, service management (customer relation), economy and similar technical oriented themes have been included.

This new element in the training programs was brought into the discussion of the steering committee by the researchers, who knew that the tourism sector is not very innovative. They emphasized that it is important to increase the innovation rate in tourist firms and suggested that this could be an element in the training program. The idea was supported by the representatives of the tourist information managers, who emphasized that they participate in local industrial development. They collaborate with the municipal managers for industrial development and the representatives for the local tourism managers claimed that often the tourist information managers very central in local industrial development. This is often caused by the fact that tourism is the most important business activity in the municipality, at least the activity that has possibilities for growth. The steering committee decided that the aim of the training should be to train the local tourism managers and the employees of the tourist information offices to become local network entrepreneurs that can initiate local industrial development. The emphasis should be on development of tourism, however, the tourism managers could be general local network entrepreneurs. By the latter the committee meant that a local network entrepreneur initiates innovation projects in local firms, organise architectural combinations of local innovations (cf. Gallouj and Weinstein 1997) and cultivate the network. The training program should include topics such as entrepreneurship and innovation, strategy, market knowledge and local industrial development. By this program, the committee hoped to create local industrial development in general, and local tourism development in particular. The coming task of the tourism managers was to initiate innovations in local tourism and other firms and to get these firms to collaborate in networks. The activities should be coordinated with the municipalities.

The training program was developed by the committee and the training activities were outsourced to a private education firm that was well-known via earlier common projects by VisitDenmark. Particularly the project leader from VisitDenmark had a close relationship to this firm and in particular to two of the consultants from the firm. The private education firm organised three training courses, which were successful if one looks at the evaluation from the participants.

## **2. The context**

The context of this innovation and network is the cooperation between the national tourist organisation and the local ones. The national organisation VisitDenmark is part of the Ministry of industry and could maybe carry out its task independently, however, it is naturally to cooperate with the local tourist organisation. The latter ones are formally private associations (mostly based on

firms), but in practice they are more or less municipal organisations (although independent of the municipal administrations). The local tourist associations are network organisations for local public-private collaboration. Since both VisitDenmark and the local tourist organisations are rather independent, it is easier for them to collaborate since they do not directly represent a political interest. There have been situations of rivalry between the three levels – the national, the regional and the local – and between areas at the regional and the local level. The tourist organisations have been become better to cooperate – which this innovation demonstrates. Nevertheless were the regional tourist boards not represented in the steering committee.

The initiative to the training program came from VisitDenmark, who wanted to fulfil their task of getting more tourists to Denmark by increasing the competencies of the local tourist organisations to improve the local tourism effort. VisitDenmark invited some researchers to participate in the steering committee to have expertise about education and tourism development. The researchers introduced the broader focus of local industrial development and innovation as important for tourism development.

There had been an increasing awareness of the Danish tourist sector is not very innovative. Different actors including VisitDenmark have therefore emphasized to increase innovation in tourism.

### **3. The five key dimensions**

#### **1. Types/process of innovation**

This was an educational innovation. The idea of the innovation was to create local tourism innovation as a broader type: Several tourism innovations should be combined to destination innovations that really can mark the destination and tourism innovation should be combined with other innovations thus tourism development can go ahead and be a kind of industrial locomotive. The tourist information managers could lead this process. However, this project and network could not do that. The steering committee could only launch a training program that could train the personnel and managers of the local tourist organisations to be more innovative and strategic. The local tourist managers should in this training program be taught to become local network entrepreneurs.

The educational innovation thus got a further aim of creating local innovation processes and business development. This was a much wider aim than the project and the steering committee formally had. The steering committee wanted to create effect beyond its formal competence area, which were to create a training program thus local tourist office employees could be more competent to do their daily work. The committee acted entrepreneurial and broke the limits. The researchers were leading in the beginning, but the representatives of VisitDenmark and the local tourist organisations followed and became leaders throughout the process.

#### **2. Type of innovation network**

This network can be seen as two circles.

The inner circle is the steering committee and the private education firm that carried out the training program. The steering committee can be characterised as semi-public: Visit Denmark can be considered as primarily public and the researchers who were member of the committee represented the public sector; the local tourist managers were semi-public. The education firm was private. It only came into the process in the implementation phase. The introduction of the private education firm was done by the chairman of the steering committee, who knew them from earlier projects. It is problematic whether the inner circle can be called a network. The steering committee is not a network since it is a formally established group and some of the members did not know

anybody on beforehand. The introduction of the private education firm may be said to make this group a network.

The outer circle is the people and institutions to whom the members of the steering committee had relations. These persons and institutions in the outer circle were test-persons for members of the steering committee: Ideas that came up in the committee were discussed with these persons and institutions. The outer circle was also thought as being used as a kind of champions (Burgelman 1983) that should help local tourist managers in convincing the local communities of the tourist managers should function as local network entrepreneurs. Institutions and persons in the outer circle were: Important local tourist firms that the representatives from VisitDenmark and the tourist managers knew, managers from the tourist managers' municipalities and foreign tourist research institutions that the researchers knew. The latter were important sources of inspiration because they led the committee to foreign local tourist organisations and tourist firms that are innovative. They were more loosely coupled to the inner circle and had generally only relations to one member of the steering committee.

### 3. Drivers/Barriers

The drivers were VisitDenmark that started the training project. However, the crucial factor for developing the training program into an innovative programme in strategy and local innovation were the drive from persons in the committee. Particularly the researchers in the committee and the project leader from Visit Denmark were the driving persons. Next was the private education firm important in implementing the innovation. They made the training program a success.

The barriers only appeared in the phase that followed the training program, i.e. in the process of influencing local tourism and industrial development. The tourist managers had difficulties in involving particularly the municipalities in tourism development. Tourism is a business field that the municipalities are not used to handle (not as traditional industry) and often they have no tourism policy. The tourist information organisations are private associations and even though the municipalities try to involve them in industrial development, they do not know how to do this. The local politicians and civil servants have been very difficult to engage in innovative tourism development. The tourist managers have also faced difficulties in being involved in municipal management of local industrial development, partly because the municipalities often only have a weak industrial policy and partly because the tourist managers not are considered as part of the municipal sector and are therefore not involved in the industrial policy.

The tourist managers are naturally cooperating with the local tourist firms, but these firms are only rarely interested in local tourism development and innovation. They concentrated on their own business and consider other local tourist firms as competitors. There are exceptions, but this is a quite normal situation. The tourist firms thus are a barrier, not for own innovation, but for common innovations at the destination.

### 4. Institutional factors

Important for the implementation of that part of the innovation which is in local industrial development is the way that tourism management is organised locally. The fact that the tourist organisations are formally private, but mixed up with the municipality generally has had the effect that local tourism development is weak and the tourist managers are not efficiently involved in local industrial development. In this part of the innovation does the institutional set-up and public-private collaboration impede innovation.

The institutional set-up of VisitDenmark as an independent state organisation that can make agreement with whom they want has been a factor that has made the first part of the



innovation possible. The agreement with a private course provider has been a determinant of the innovative training course.

#### 5. Impacts and policy issues

It is still by tourist managers considered to be a good idea to involve them in local industrial policy and development. This could be an advice to the political system. Tourism is an important industrial sector in many municipalities, particularly in peripheral regions. Many municipalities must stake on tourism and experience economy (cf. Pine and Gilmore 1999, Sørensen 2008) to create growth and employment. To involve the tourist managers efficiently, however, demand that the municipalities get a policy and strategy for development of tourism and experience economy. Training and education is a valuable means to innovate in tourism, but is not sufficient alone. The municipalities must be more involved.

#### 4. Unexpected results

##### *Non-institutional factors*

Non-institutional or individual factors were important for the development of this case. Individuals in the steering committee were decisive for this innovation came up. Particularly the researchers in the committee, but also the project leader from VisitDenmark got the idea and created the drive for this innovation in the steering committee. They did not carry through and implement the innovation, but they started the first phase. They broke the institutional idea of the project that VisitDenmark had planned, namely to train the employees and managers of local tourist organisations to become more efficient marketers and administrators. These individuals can not be termed entrepreneurs because they did carry out the innovation process the whole way through. However, they played a role in the entrepreneurship process (cf. Sundbo and Fuglsang 2006).

##### *Local social traditions as barrier to network innovation*

The largest barrier to local public-private networks can develop tourism and other innovations is a lack of tradition for collaboration. Tourist firms often have more a mutual competitive than collaborative relation (cf. Sundbo 1998), the municipalities does not have a clear tourism policy and the local politicians still live with the idea of the industrial society thus tourism is often not really considered an industry that should be taken serious. The tourist managers, and even municipal industrial development managers, are often not able to create a coherent and collaborative local network.

This result underlines one of the classic sociological theories: that social groups (including networks) can be very efficient in solving a task if there is a positive attitude between the members, but if the mutual attitude is negative, it is destructive for the task (Homans 1951).

##### *Educational innovation as a new type*

The private education firm was very successful in implementing the training programme. The consultants of this firm are good teachers and very engaged in the teaching and are therefore motivating for the students. They have therefore established their own firm – to be independent and earn more money on their abilities. The participants in the training programs have used the abilities and knowledge they got via the program in their daily work afterwards. This demonstrates that education and training in a new setting and with a particular purpose is innovative and can for example increase efficiency and quality of the work that the training is supposed to influence. Education can therefore be considered a particular type of innovation. It can of course be termed a process innovation, however that term as it has been used in innovation literature is fairly broad and un-precise. Education is a more general activity than for example the introduction of a new

production technology that has been the typical process innovation in manufacturing. Education and training can change the mind-set of the employees and managers and is thus at a more general level than traditional process innovations. There are reasons for adding educational innovations as a special type to the traditional types that based on Schumpeter (1934) has been emphasized (new process, product, organisation, market and raw materials).

## 5. Discussion

This case is characterised by the first part of the innovation, the training program, was successful, while the second part, the tourist managers as local network entrepreneurs, generally failed (even though there may be few exceptions). Thus, public-private innovative networking is only partly a success. The barrier for success can be found in the civil society (norms in communities) and the local public sector tourism has low preference in local policy). A public-private network can not overcome this barrier.

The success of the training program was in this case caused by the fact that the project leader knew a private firm that could carry out the training program successfully. This does not mean that a public school could not have done that, but it demonstrates that in a public-private network there are more possibilities for selecting the partner that a formal committee or network believe in and are motivated for collaborating with.

The idea of local tourist managers should act as local network entrepreneurs failed because of the weak local traditions for considering tourism a “real” industry that must be taken care of and because of the local tourist firms’ and organisations’ more competitive than collaborative attitude to each other and local networks. Only very few local tourist managers had the personal drive to break through this social barrier and become network entrepreneurs. Maybe individuals with such abilities will not use them to develop local tourism, but will soon find other fields when they recognise the bad possibilities for building networks and the general local attitude towards tourism as an industry. A hypothesis could be that a condition for attracting and keeping local network entrepreneurs is that the task (in this case tourism) has a high prestige and acknowledged importance in the society and the community.

The case also demonstrates that it is difficult for a central national institution such as VisitDenmark to create innovative local network-development. The central institution can not directly create such developments. Theoretically, the idea of going via local network entrepreneurs who are trained still seems good, but its success depends on change of community norms and traditions that demands more than one motivated network entrepreneur.

This conclusion leads politically to the local level. Municipalities and communities, must change their attitude towards the task, in this case tourism development. This demands more than formal national policy and institutional effort, we talk about social change that may be very fundamental for a community. The way to break the social heritage could be that the national political level emphasize the field (in this case tourism) and create a national awareness of it as important. The local political level should be involved in development of the field and institutions of local public-private networks (probably with state grants) could be set up. Local tourism and other industrial policies should be connected. These networks could seek network entrepreneurs as leaders. That primarily demands a high importance of the job (that it really is important for local industrial development) and the local awareness of which type of person a network entrepreneur is.

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