

The Governance of Integrated Systems of Tourist Offering: Critical Factors for Development and Success

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Introduction

Tourism, traditionally defined as ‘the sector of sectors’ because of the spillover effects which it produces on the different economic and social areas of a destination, is a very wide and diversified field of studies. As a consequence of the sudden changes that have affected the evolution of the market, it must also be dynamic as it requires the constant renewal of the elaborated theoretical models.

The interest of the scientific community reflects the increasing importance the industry holds, both directly and through induced activities, in modern economies.

Among the main influences on the sector’s recent development, we have to firstly consider the progressive opening of the markets, a direct consequence of phenomena like globalization, and technological advancements in transport and I.C.T., which marked the passage from the industrial age to the digital age.

This kind of occurrence has a controversial effect on tourism demand, whose maturity is shown by the search for unique, authentic experiences, but also by the increase in selectivity and exigency in requiring a product with high standards of quality and efficiency.

In addition, in recent years, the different fields of public and private intervention aimed at opposing degenerative phenomena typical of mass tourism have brought to light a number of environmental requirements.

Taking the previous considerations as a starting point, the paper concentrates on the strategic management of a destination. The basic hypothesis is that today the management body has to adopt an innovative attitude in the highly complex activity of guiding and directing the territory. In particular, the dynamics mentioned above reveal the primary need to consciously govern the network of relationships among both public and private units, which are characterized by different interests and ambits of economic and social responsibility.

To avoid the mistake often made in doctrine, which is to take it for granted that tourism systems exist, the first aim of the research is to verify,

using a theoretical model, the presence of the variables and dimensions that give meaning to the concept of an 'integrated system of tourist offering'.

The analysis emphasizes the degree of strategic coherence of the system, and in particular the interactive dynamics among those who take part in the decision-making process, in order to identify the factors critical for the good governance of a destination.

The second objective of the research is to shed light on the structure and the specific functions of the body that first creates and then manages an integrated system.

Furthermore, the study wants to answer the question about the role played by public administrations in relation to the stage in the life-cycle of the tourist systems. It asks in what way the public sector could, in the present high-intensive context, reconcile the institutional aim of guaranteeing the good of the community with supporting the creation of a coherent offering system.

1 Background

The main references for this research were studies on *public governance* and on *territorial system management*. The theme of governance, in particular, has enjoyed great popularity in recent years, which has sometimes resulted in an inaccurate and unclear use of the term. Following Rhode's classification, public governance can be considered as an alternative to market and hierarchy as a way to manage the relationships between the public and private sectors (Rhodes 1996). It is the indistinctness of the limits of the two sectors itself which highlights the importance of the concept of network, based on the principles of trust and the sharing of information and knowledge (Bekke *et al.* 1995; Jackson and Stainsby 2000).

Thus, governance is the product of the interaction among all players involved and, unlike the concept of government, it coincides with a specific way of managing networks, based on seeking the consensus and cooperation of the community in order to decide on issues of universal interest (Klijn and Koppenjan 2000; Kooiman 2000; Kickert *et al.* 1997; Marsh and Rhodes 1992; Borgonovi 2002; Fici 2004). Therefore, the contributions made to the different dimensions of governance in the public sector can be seen to comply with the aim of the research.

In addition to internal and external governance, it was essential to study in depth inter-institutional governance, considered as a set of rules, responsibilities and links which characterize the integration of the different levels of public intervention (Catturi 2006; Fici 2004).

Similarly, in recent years many scholars of tourism management have adopted network perspective to describe, analyze and explain the development and operation of a destination (Pforr 2006; Scott *et al.* 2008; Shih 2006; Pavlovich 2003; Saxena 2005). This paper enters the vast debate about the strategic management of a destination, a term used to highlight the passage of a local area from 'place' to 'product' (Tamma 2000; Pechlaner and Weiermair 2000; Della Corte 2000; Del Chiappa 2005; Laws 1995; Manente and Cerato 2000; Golinelli 2003; Sainaghi 2004; Nigro and Trunfio 2003). The building of the integrated model through which the analysis has been conducted took its cue from studies on supply-side tourist systems (Smith 1988; Rispoli and Tamma 1995; Rispoli 2001; Ferri and Sancetta 2003; Leiper 1979) and from the strategic studies which recognize the new meaning the relationship between the company and the environment has today.

The study focuses on the role and the relationships between competitive and social units which take part in the decision-making process. Several doctrinal contributions focused on the system of forces which affect the development of a tourist destination (Confalonieri 2004; Baidal 2003; Page 2003, W.T.O. 1994; Williams and Lawson 2001; Mitchell and Reid 2001; Ahn *et al.* 2002; Saviano and Magliocca 2003; Sheenan and Ritchie 2005; Bramwell 2006; Jackson and Murphy 2006; Marino 2001; Dredge 2006). However, although the importance of forming a meta-management body capable of guiding the system by involving the different social parts and reconciling their interests is well-known among scholars, a lot of issues remain unexplored (De Carlo 2004; Tamma 2002; Sainaghi 2006).

2 Methodology

The study followed an inductive-deductive approach. In the first phase a theoretical model was elaborated to identify the conditions of existence and operation of a tourist system. In particular, the possibility to apply to the tourism sector, with the adjustments requested, the model of the widened system of value creation was verified. The theoretical analysis was completed with studies on governance, to highlight the systemic relationships between competitive and social players involved in providing the tourist offering of an area, and thus formulate the research hypotheses. For this reason it was necessary to integrate the investigation of tourism law into the study.

In the second phase of research the interpretative scheme was applied to achieve a double objective, both explanatory and exploratory, consisting in

empirically verifying the research hypotheses and finding reliable indications for the development of an effective governance model.

First of all, the field of research was delimited to the Region of Sardinia. The next step consisted in isolating a case study with specific qualitative and quantitative features (Yin 1994; Eisenhardt 1989).

The model of Costa Smeralda was chosen for several reasons. Firstly, because of its exceptional development course which permitted the resort to assume its distinctive identity and well-defined traits, giving the model the significance necessary for a case study. The second reason concerns the well-established exceptional quality standards of the excellent and efficient tourist system, which is well-positioned in an *élite* international competitive field. This ensures a large number of reliable information sources, which are important to guarantee the comprehensiveness of analysis. Finally, because it is immersed in a context of external change, related to recent public intervention aimed at regulating significant aspects of the tourism industry. These measures have a substantial impact on the model's strategy, and pose new and considerable problems of governance.

As regards the sources, it is worth underlining that the in field research was preceded by a historical study of the development phases which led to the birth of the tourist resort.

The knowledge of the evolutionary process of the context and the identification of the peculiarities and problems was completed by contact with a panel of key informants, chosen from long-standing Costa Smeralda employees. The non-structured interviews permitted the devising of a standard questionnaire. The units asked to complete the questionnaire were selected with non-probabilistic sampling, following the rational choice method. In particular the Stakeholders Theory was used to include in the investigation the subjects directly involved in, or strongly influencing the decision-making process in the strategic management of the territory.

It seemed fitting to select the Provincia of Gallura, the Comune of Olbia and the Comune of Arzachena as essential public administrations. To these were added the Ufficio Provinciale del Turismo and the Sistema Turistico Locale (S.T.L.) – Gallura Costa Smeralda.

The Geasar company which manages the airport of Olbia – Costa Smeralda, and the Marina di Porto Cervo which manages the two tourist ports besides being a direct offshoot of the Consorzio, were chosen to represent the transport sector.

The first subject selected to represent the private sphere was the Consorzio Costa Smeralda, the body which has managed and coordinated Costa Smeralda, by putting the owners' will into practice, since it was set up.

Furthermore, subjects significant for their tradition, dimension and activity in strategic areas of the system were selected to strengthen the analysis of the area's exclusive offering model. They were two hotels, four-star and five-star, belonging to a large international group, a company supplying services to maxi-yachts, a golf club and a tennis club. Subsequently, the questionnaire was submitted to the Sezione Turismo of Confindustria Nord Sardegna, located in Olbia, to get a general point of view from the private sector.

Data processing principally followed a qualitative approach. It was deemed to be the best way to interpret causal relationships and outline the evolutionary lines of the phenomenon.

3 Integrated systems of tourist offering: start-up and operational features

Business administration studies have highlighted how several external events have led to new strategic ways of thinking and acting in modern competitive contexts. The progressive opening of the markets and the establishment of a society based on knowledge show the importance of two critical factors for competing and surviving in the markets (Drucker 1995):

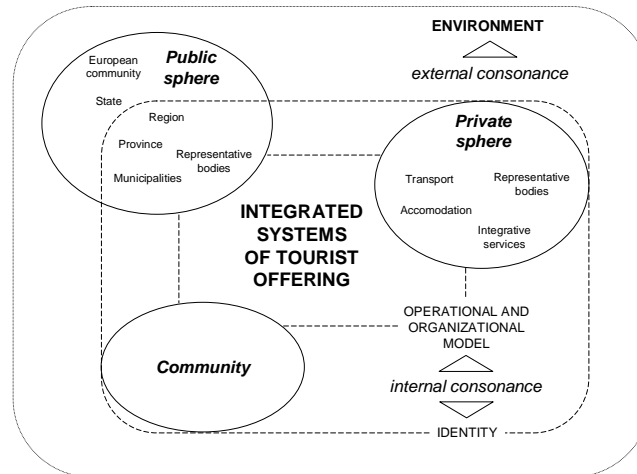
- domination of the field of knowledge and possession of the necessary resources to run the business;
- ability to activate new interactive dynamics between organizations and individuals.

The onus on the different players in a system to accumulate competences and activities which are capable of creating a product or service of higher-value proves that today it is the offerings, not the companies, which actually compete in the markets (Normann and Ramírez 1995). This consideration prompts us to think about the possibility of extending the concept to the tourism sector.

Following a business perspective, tourism, from the supply side, can be first considered as a sum total of attraction factors provided by the resort's various players, either individually or through a network of relationships, in answer to a present or potential demand (Rispoli and Tamma 1995; Papageorgiou 2008). From an objective point of view, it refers to natural or artificial tourist resources, to primary services, such as accommodation and transport, and to integrative services which qualify a certain offer. From a subjective point of view it refers to the behaviour of the main subjects, such as the system of public administration, the economic units (*profit* and *non-profit*) and the local community.

Although tourism tends to be perceived as an undivided, global and complex product, principles of business management cannot be extended to it without first verifying the existence of certain developmental and operational conditions of an integrated offering system (Figure n. 1).

Figure n. 1 – *The integrated system of tourist offering*



SOURCE: Own elaboration

The motivation which prompts a group of operators to cooperate in order to put a unique, undivided and difficult to standardize offer on the market, firstly lies in the ability to point out to each player, following the 'positive sum game' logic, a reward greater than the contribution made, in terms of given activities or shared knowledge (Porter 1985; Brandenburger and Nalebuff 1996; Normann 2003; Jackson and Stainsby 2000).

Thus, integrated systems of tourist offering are composed of a set of elements, of a synthesis between the subjective and objective aspects ascribable to a plurality of players who, following a 'radial' logic, coordinate their actions to produce a good or service in ways that cannot be replicated.

As a consequence it becomes fundamental to focus analysis on the presence of an identity, made up of values and principles shared by the public sphere, the private sphere and the local community, which could result in a concrete operational and organizational model capable of exalting the distinguishing elements of a resort and satisfying an actual need in the market. Therefore, it is important to verify the internal consonance, at a subjective and objective level. The former, referring to the hidden side of the strategic design, regards sharing among the different participants the idea and values that form the basis of the model, such as the market idea

and the kind of need it intends to satisfy. The latter, referring to the visible side of strategy, regards the coherence among the single activities, products and business models (Scott *et al.* 2008, Pavlovich 2003; Saxena 2005).

These conditions are essential for the existence of the integrated offering systems that, like business units, compete on the markets carving out a clear and defined strategic positioning (Bieger 1996; Sainaghi 2006; Ritchie and Crouch 2000).

Nevertheless, although internal consonance is a fundamental requirement for the possibility of the destination to survive in the long-term, it is important to add some comments.

Doctrine says that the building of a 'widened system of value creation' can come, alternatively, from the 'enlightened mind' of the entrepreneur or from a 'spontaneous' activating process aimed at supporting current external stimuli (Rotondo 2008).

However, the subject who creates the system is not always the one best suited to manage it. Following a largely accepted concept, the abstract body responsible for giving the system strategic direction includes public and private presence, and bases its action on the consensus of the local population (Ferri and Sancetta 2003; Manente and Cerato 2000).

It is also necessary to analyze the structure of the meta-management body (Rhodes 1996; W.T.O. 1994; De Carlo 2004; Tamma 2002; Dredge 2006). In fact, the hypothesis is that the subjects mentioned above have different roles and functions in relation to different contexts and to the different phases in the life-cycle of the destination. Another hypothesis regards the change of the role and the ways through which public administrations intervene, at different levels, in the process of governing the integrated systems of tourist offering. This also takes into account a number of external events and situations which strongly influence the governance of a tourist area. Among others the following phenomena must be mentioned:

- the necessity to constitute a model based both on environmental and economic sustainability as a crucial factor for success;
- the necessity to evaluate the pursuit of a common development idea in line with external trends, following a logic of external consonance;
- the recognized importance of the community, an active and enterprising subject in the government of the destination;
- the existence of a number of fields of intervention and responsibility referable to the authorities which, at community, national and sub-national level, intervene in the government of the tourist area.

4 The case of Costa Smeralda

4.1 The model idea

In the early Sixties, a World Bank executive carried out an inspection in order to verify the progress of the financial-economic development programme financed for Sardinia, giving rise to the discovery of a rugged and under-populated corner of the north-eastern part of the island, full of exceptional natural beauty. A small group of wealthy foreign entrepreneurs became involved and purchased, at very good price, the land held by the pastoral families of the area. On 29th September 1961 the owners signed a letter of intent forming the Consorzio Costa Smeralda.

The Consorzio, according to the idea of the charter members, headed by the Ishmaili Prince Karim Aga Khan, was initially conceived to protect an exclusive natural oasis, the prerogative of a few tycoons interested in building their own summer residence.

In a short time, however, the challenge became more extensive, guided by the innovative idea of creating an important and strong leisure industry around the original micro-cosmos designed to satisfy the world aristocracy of beauty, elegance, intelligence and wealth (Gerlat 2006).

The Consorzio's objectives became the planning of a balanced urban development, and the provision of all the works and services needed to enhance the area for tourism. This 'vacation paradise', 55 kilometres of coast located between two huge granite rocks, is based on bringing together structures and services of the highest quality and conserving and protecting the natural environment.

On these premises, an unrepeatable and very successful initiative took shape. It was capable of producing huge effects on the economic and social conditions of a whole Region, and of becoming a unique example of tourist entrepreneurship in the world.

4.2 The operational model and the social-economic effects

The lack of town planning regulation and the scepticism of public administrations toward tourism were decisive factors in the development of a unitary long-term plan characterized by the concentration of power in private hands and the high integration of services (Camagni 1982; Pileri 2004). In just a few years, a team of architects of international standing realized the village of Porto Cervo and four extra-luxury hotels to guarantee hospitality. Great importance was put on the transport system. In 1963 the

airline Alisarda was formed and the first links to Olbia were made along a dirt road. One year later the Port was built. The Consorzio also created an estate agency, a central storehouse for supplies and a ceramics company, Cerasarda, directly controlled, as the sports facilities.

A strongly integrated tourist model in which public services are replaced by private ones is 'imposed' on the roughly 3,500 hectares contained in the municipalities of Arzachena, the urbanized part, and Olbia. Since its establishment, in fact, the Consorzio has undertaken to build and manage the collective infrastructure and services, such as the roads and the purification plants. Through constant investments other works have been added, like the new port and the shipyard, as well as the Olbia-Costa Smeralda airport. New services have also been added, like water and electricity, security, fire-prevention and health-care, managed by a company that was set up for this purpose.

The Consorzio, a non-profit association, has a highly articulated structure, based on the balancing of power and responsibility. The Partners' Meeting, attended by all associates, is held once a year and appoints the Board of Directors. It has the greatest power over the financial-economic and operational aspects and over problems of authorization and regulation. The Founder Members predominate the governing function because their vote counts six times more than that of the other members. The Board nominates the President and the General Director. The Servizio Consortili is the body which manages the administrative, technical and relational sectors. The Board of Directors can appoint committees with auxiliary functions, like the Architectural Committee, composed of experts, whose function is to control the different phases of real-estate development, urban planning, building and infrastructural works.

The social-economic effects of settling in the Province of Gallura are of great interest, both for their relevance and for their contradictory nature. The growth of Olbia under the dimensional perspective and the constant ranking of Arzachena among the Italian municipalities with the highest *per capita* income confirm the long-term benefits generated by Costa Smeralda¹.

However, the main limitations can be recognized in the distinctive traits of an *élite* tourist model, built with calculated detachment from the rest of territory. In other words, the population has enjoyed vast employment opportunities and improved standards of living but has mainly remained like a subordinate, supporting rider to the tourist (Paolinelli and Salierno 1988).

4.3 The evolution of the public-private relationship

During its first ten years Costa Smeralda developed independently through single building permits granted by the municipality. The first Regional urban planning law, issued in 1968, resulted only in the Municipality of Arzachena's first Building Plan in 1972². The following year, the Consorzio submitted to the Region a twenty-year plan of considerable investments which had been under consideration since the Sixties. Ten more years passed before the Region gave the plan, known as 'Master Plan', the go-ahead. Thus a Protocol Entente was signed between the Region and the Consorzio. Effectively, the plan revealed the willingness to make a dimensional jump with a high impact on the local area. The dispute which followed, in 1988, led the T.A.R. to overrule the document after the municipality appealed. Even so, the building development of Costa Smeralda continued without the 'Master Plan', as in the past, through single permits for a total of 1.5 million cubic metres.

In the meantime, the Regional law 45/1989 established a set of rules to protect Sardinian territory, aimed at guiding the municipalities in drawing up their Urban Plans (P.U.C.). Arzachena, probably because of the strong pressure of the power groups, has still not adopted the P.U.C.

In 1994, the umpteenth failed attempt to see the development plan presented by his Ciga Immobiliare S.p.A. approved prompted the Prince Aga Khan to sell the majority block of shares to the hotel giants IIT³. Later, in 2003, it was sold to the businessman Tom Barrack on payment of € 290 million. The management of the 4 extra-luxury hotels, however, has been left for 12 years in the hands of Starwood.

But the real stake of the operation regards the roughly 2,300 hectares of land that still has not been built on. Since 2004 public administrations have been evaluating a general programme of regeneration of Costa Smeralda put forward by Colony Capital, consisting of € 420 million and 170,000 cubic metres of volume⁴.

Over the past decade, instead, new methods of public intervention, at different levels, have changed the situation.

Although Europe was the most visited tourist region in the world, and the Maastricht Treaty had recognized the strategic importance of the sector, no concrete step forward had been taken from a legislative point of view⁵. Since 2000, however, the European Union has adopted a new tourism policy⁶. The Commission, moreover, recognizes its own responsibilities and sets itself the target of accepting a more active role for a gradual, inclusive and synergistic strategy together with all the interested parties, both public and private⁷.

In Italy, meanwhile, a new statutory law on tourism, n. 135/2001 of the 29th of March, was promulgated. It proposes a new model for the realization of tourism development plans, a matter entirely left to the legislative and regulatory authority of the Region.

The law introduces the figure of the Sistemi Turistici Locali (Local Tourism Systems) (S.T.L.), “homogeneous or integrated tourist contexts, whose territory lies in one or more Regions, characterized by the integrated offer of cultural and environmental heritage, and tourist attractions”. S.T.L. pursue the double aim of decentralizing and recognizing the local nature of tourism, and also creating new kinds of synergies between the public and private spheres, under a partnership perspective. For this reason the institute has to take shape, regardless of its originator, with the agreement of all subjects involved in the development of tourism in the area. A bottom-up process based on a well-defined development plan is necessary.

Sardinia is not immune to the profound changes and the recurring external factors which affect the sector. The lack of instruments of landscape planning manifests itself, first of all, in the setting out of urgent measures to protect the territory⁸. Consequently, the Region issued the Law of 25th November 2004, n. 8, called “decree to safeguard the coastline”, which in article 3 establishes an almost total ban on building within 2 kilometres of the sea (500 metres for the smaller islands), with rare exceptions for social reasons. In accordance with this first act, on the 5th of September 2006 Sardinia became the first of the Italian Regions to approve, with Resolution n. 36/7, the Piano Paesaggistico Regionale (Regional Landscape Plan) (P.P.R.), for coastal areas alone⁹. The directives have to be carried out through the adaptation of the provincial and municipal plans, and also through agreements between the different public levels¹⁰.

Another Regional measure aimed at reinforcing the protection and the enhancement of the natural and landscape resources is the L.R. n. 4, 11th May 2006, which establishes, among other things, the so-called ‘luxury tax’¹¹. The tax, which immediately hit the headlines and aroused harsh controversy, is imposed on non-residents, and in particular regards:

- the possession of real estate which is not the primary residence (the so-called second home) within 3 kilometres of the sea;
- the surplus generated in the onerous selling of real estate which is not the primary residence within 3 kilometres of the sea (20% tax);
- the stopover of airplanes and ships with a length of more than 14 metres.

Furthermore, the Regional Financial Law 2007 established the Visitors’ tax for non-resident tourists staying in accommodation facilities and private houses. In the wake of similar moves within the E.U., the Region of

Sardinia, with the Law n. 2, May 2007, set up the “Conservatoria delle coste della Sardegna”, an agency with legal status by public law whose objective is to safeguard, protect and enhance the coastal areas.

As regards the S.T.L., on the other hand, the Region chose to create a sort of central ‘control room’ which then recognized eight Sistemi Turistici Locali, coinciding with the territorial boundaries of the eight Provinces of Sardinia. All funds allocated were to be equally divided among these.

At the beginning of 2009, as one of the first measures, the new Regional Government decided to lift the luxury tax and to review the Piano Paesaggistico (Landscape Plan), currently under consideration.

5 The problems of governance

5.1 Internal governance

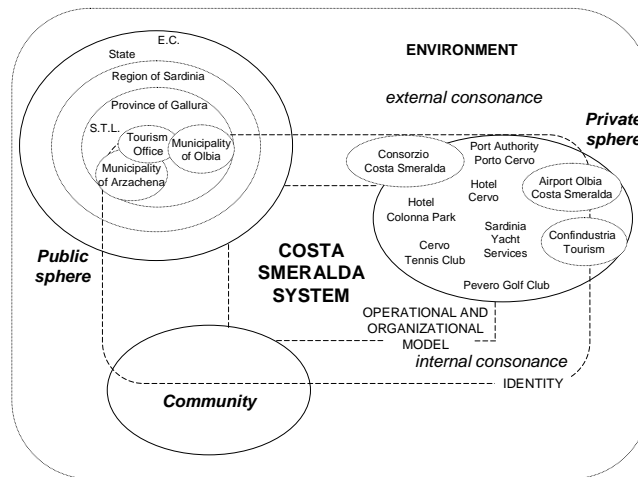
The study revealed that Costa Smeralda constitutes an integrated system of tourist offering, based on a strong internal consonance, both of the subjective and objective kind.

The cohesion of the competitive and social players around the nucleus of values on which the model was founded is still high. The missions pursued by the single participants rotate, quite uniformly, around the concepts of excellence, innovation, effectiveness and efficiency. Alongside the fame of the destination and its natural beauty, the quality of service and a relationship of trust are the strategic tools to satisfy the needs of an extremely exacting, egocentric and wealthy clientele, who is little price-sensitive. The natural consequence is an offering aimed at the highest bracket of the international market.

In the same way, in the various businesses, the main competitors are not the other players in Sardinia, but rather those operating in the excellent tourist contexts of the Mediterranean area or of the rest of the world. Again, the institutional profile of the companies involved is symptomatic; most are part of holdings or economic groups working on an international scale and have managers with vast experience of strategic planning and control in this field.

The deep-rooted idea of a strongly integrated and centralized model having its own aims, which are shared by the public and private sectors, produces a significant set of effects. Internal relationships among stakeholders are regulated by determined rules of conduct, established by the Consorzio. All operators must comply with these to protect the resort’s image and principles (Figure n. 2).

Figure n. 2 – The model of Costa Smeralda



SOURCE: Own elaboration

Furthermore, the strategic sectors for the functioning of the model are directly or indirectly controlled by the owners. There is a wider climate of substantial independence from the public sector, and partly to the lack of trust in the effectiveness of its action.

The sharing of objectives among the players and the existing moments of confrontation do not, however, give rise to a really open and inclusive strategic management process.

In particular, the study reveals the atavistic incapacity of the system to create a local community, intended as a nucleus of permanent residents that can enable a place to overcome its purely tourist image. The aim of enlarging the residential base, in fact, clashes with the strong uncertainty associated with the actual feasibility of this, connected with the features of a system which puts great emphasis on events rather than everyday life. An example in this sense is the extreme seasonality of the model (Table n. 1).

Table n. 1 – Percentage of arrivals and room nights in the Comune of Arzachena, in the June-August period alone

year	Arzachena	
	arrivals (pct)	room nights (pct)
2000	59,34	69,70
2002	55,80	67,05
2004	58,70	69,22
2007	61,75	71,59

SOURCE: A.A.S.T. – Arzachena

The research, specifically, reveals the lack of incentives for the private sphere to pursue this aim. Given the typology of the offering, in fact, the increase in residents would have no significant effects on the operators' economic performance.

From an objective point of view, a substantial alignment of the single business models emerges. These models were all devised to dominate an *élite* market by providing a unique, high value, differentiated-on-demand product. The offering system, in its entirety, is characterized by its sheer professionalism, comprehensiveness and flexibility.

Market trends and external forces which influence Costa Smeralda, however, pose new governance problems. In fact, in recent years, the system has run into several problems, as shown in Table n. 2, which causes thoughts to turn to the future.

The trends of Costa Smeralda's tourist flows reflect quite faithfully those of the Comune. The number of room nights starts to fall after 2002, and shows a slight increase only in 2006. Alongside generally meagre increases in arrivals and a fall in occupancy, the decreasing importance of the Costa Smeralda system to the municipality's visitor numbers emerges. While the Province retains first place for visitor numbers in Sardinia where tourism is on the increase, the accommodation sector recorded a drop in five-star hotels, equal to 8% in 2007. Costa Smeralda's economic results were also affected; Sardinia Resort, a Colony fund company which owns the luxury hotels, recorded its first profit in 2007 after the years of constant losses which followed its purchase in 2003¹².

Table n. 2 – *Evolution of arrivals and room nights in Costa Smeralda, and in the Municipality of Arzachena – period 2000-2007*

year	Costa Smeralda		Arzachena		weight (pct)	
	arrivals	room nights	arrivals	room nights	A.	R.N.
2000	58.844	355.885	163.897	1.076.888	35,90	33,05
2001	62.314	441.083	169.513	1.182.659	36,76	37,30
2002	64.978	378.057	177.587	1.107.931	36,59	34,12
2003	57.605	343.629	166.028	1.090.044	34,70	31,52
2004	62.682	341.822	171.955	1.061.630	36,45	32,20
2005	58.960	333.218	167.186	1.084.802	35,27	30,72
2006	61.717	347.906	184.818	1.168.620	33,39	29,77
2007	—	—	171.304	1.078.324	—	—

SOURCE: A.A.S.T. – Arzachena

In short, the limits to quantitative development and the increasing interference of the public sector which characterize the present context threaten the competitiveness of a highly integrated system, based on an

offer of the highest quality and such critical factors as innovation and flexibility.

5.2 External governance

The study highlights how deeply the system is rooted in the territory, but also the low consonance between the typical values of Costa Smeralda and those of the population of the Municipality, the Province and the Region.

More specifically, the idea of a closed system emerges. It appears to be a sort of oasis which has had a fundamental role in the development of the territory, representing the area in the world's eyes, yet it has been unable to become really an integral part. Both the public and private sector indicate a set of negative effects related to the low sociality of the model, in terms of the scarce involvement of the population and to an image that is far removed from the Regional identity. This view reflects a marginal public presence, which has resulted in a disjointed supporting policy, rather unsuitable for the system. Furthermore, the community counts for very little in defining the strategic direction.

In reference to the public administrations closest to the model, the private sector recognizes their general slowness and disorganization. The public-private relationship is characterized by the inexistence of collaboration and, indeed, by the private sector's desire to increase its already high degree of independence. The policies implemented by the Province and Municipality are defined, respectively, unsatisfactory and incoherent. The Sistema Turistico Locale (S.T.L.) was supposed to compensate for this lack of cohesion of the system. However, various reasons, which emerged both during its foundation and operational phases, have made the body ineffective in the eyes of the private sphere.

First of all there was the highly questionable choice of the Region to consider the entire Province of Gallura as a homogeneous context, then there was the delicate negotiation phase within the province, which led to the constitution of a body with a private corporate designation despite 95% of its shares being held by public administration. Private shareholders, who do not include the Consorzio, hold an insignificant 3% of the capital.

S.T.L.'s action reveals an ideological and practical gap between the public and private spheres. The S.T.L., in fact, stated as its primary aim the unifying of the public subjects' interests, which it deemed fundamental for the development of the territory. The private sphere, on the other hand, considers the new body to have little significant impact on the territory, and

believes that the situation, and the management dynamics, will remain mostly unchanged.

In line with market trends, both the public and the private sphere agree to favor the pursuit of a mainly qualitative development with low environmental impact. Even if the objective reflects the philosophy of Costa Smeralda, the ways to achieve it appear in opposition.

Generally, the Regional policy is judged unsatisfactory, of little support, and sometimes in conflict with what Costa Smeralda offers the tourist. Specifically, the P.P.R., despite pursuing basic principles, is deemed inadequate, as are the main measures like the 'luxury tax'. It is no coincidence that the measures that are more 'neutral' towards the model are judged positively, for instance the visitors' tax and the Conservatoria delle Coste. The Region is accused of having made mistakes in its institutional communication and its timing. Its intervention is judged too rigid as it does not consider the features and the specific needs of the single tourist contexts. In the case of Costa Smeralda, in fact, the ability to remain competitive has to be based on the constant renewal of the offering, made possible by compatible qualitative and quantitative development. The negative judgement is increased by the non-involvement of the economic operators, which had to adapt to intervention imposed from above.

Another important issue of the relationship refers to seasonality, a thorny problem for Sardinian tourism. Solving this is one of the objectives outlined by the players, but Costa Smeralda, because of its vocation, does not seem to be particularly suited to resolving the problem. This kind of highly-concentrated and beach-oriented offering, targeting the luxury bracket, does not show the traits favorable for extending the season.

Such elements could be a strong nucleus of permanent residents, an efficient infrastructural transport network to connect the coast to the centre of the island, a set of intervention within the provinces and municipalities directed at improving the services offered, in variety and quality, even during the low season¹³.

Finally, the public and private subjects agree on the mid-to-high sustainability of the Costa Smeralda system, on condition that it could be brought back to the original idea based on the excellence of what is offered and the protection of natural beauty. However, the concrete ways through which they intend to reach this goal are very different. The dilemma is whether the more effective way to cope with the present competitive dynamics is to increase the concentration of power in private hands or to open towards the outside in order to pursue a more inclusive and shared development.

5.3 Inter-institutional governance

A decisive element for developing a balanced relationship between public and private spheres, a prerequisite for the good governance of tourist systems, is the degree of cohesion among the different fields of public intervention.

The analysis reveals the divergence between the strategic choices of the Region, institutionally responsible for governing the sector, and the public administrations and bodies active in Gallura. Similarly to the private sector, these public levels agree on the main goals, but judge the instruments used for pursuing them to be inadequate. Yet again, only the Conservatoria delle Coste and the Visitors' Tax are viewed positively, above all by the municipalities which directly reap their benefits. The main defect of Regional policy is deemed to be the lack of knowledge of the territory's needs.

Although the Province tries, through periodical comparison, to align its objectives with the actions of the municipalities, the operating distance from the public bodies closer to Costa Smeralda emerges. The Municipality of Arzachena and the Tourism Office, in fact, stand out because of their substantial independence of action.

Despite facing different problems, a higher degree of collaboration exists between the two municipalities. The Municipality of Olbia, in particular, seems to be in the forefront in having adopted a tourist policy aimed both at balancing environmental protection and quality of the offer, and at dealing with the issue of seasonality.

It is important to highlight the public sphere's consideration of the role of S.T.L., even if it is an extension of the territory's public administration. The instrument is judged to be strategically insignificant and not very innovative, and said to have succeeded only in draining financial resources. This view is further supported by the body's slow start up phase and the numerous difficulties encountered, ascribable to numerous political conflicts which at first limited its action and now have stopped it working¹⁴.

In general, the study reveals a certain resistance in the assumption of an active, participative role by public administration. In this sense, it is fundamental to go beyond the traditional attitude of simply supporting and promoting the destination, in favour of effectively guiding and cooperating in the creation of an integrated system of tourist offering.

Conclusions

The results of the study allow us to make some general comments about the questions the research was based on.

Firstly, we attested that the existence of an integrated system of tourist offering is related to the degree of strategic consonance which characterizes, at a subjective and objective level, the relationship between the competitive and social players of a tourist resort. The sharing of the values the model is founded on, in terms of identity traits, business philosophy, mission and market to serve, alongside their expression in an operational and organizational unitary model, indicates the passage from resort to destination. Finally, it is an efficient synthesis of the activity and resources contributed by each participant. This condition allows us to consider the system equal to a business unit having a defined positioning in the competitive market.

Secondly, we found the reconfiguration carried out by the enlightened mind of the entrepreneur was undoubtedly a success factor both in the development and in the operational phase of the system. The present environmental dynamics, nevertheless, highlight that the experience is unique and unrepeatable as well as underlining the importance assumed by a set of new conditions for the effective governance of the system. The changes that occurred show the detachment between the subject who created the system and the subject most suited to manage it. The meta-management body, in substance, changes its structure in relation to the phase in the life-cycle of the tourist destination.

The model created by the private sphere with a prime mover logic, exploiting an advantage coming from replacing the public action, risks undergoing a crisis given the present context. External concerns coming from the higher levels of public intervention, and in general from society, as well as the weight the community have in local development, constitute the problems of external governance which cannot be neglected.

The central position of the public administration's role as the best subject to manage the complex network of relations among unities emerges. In strategic management, in other words, the responsibility of guiding an environmentally and economically sustainable, shared development, based on social consensus and on the concrete integration of community can no longer be transferred.

Taking into account the increasing intervention of public administration in tourism, the study identified some factors which can influence the effectiveness of its action. First of all, the decision-making process has to consider the marked local nature of tourist phenomenon. This is the only

way to deal comprehensively with crucial issues like seasonality, and to avoid interventions which are little in keeping with the local reality, and cause a lack of support and obstructionism.

Furthermore, the case shows the potential crisis which can affect an 'imposed' tourist offering model, but also the risks associated with an 'imposed' public intervention.

The core element of Costa Smeralda's change, that is the return to the original idea, has to rely on a stronger involvement of competitive and social actors and on a better adherence to local needs.

Environmental instability indicates, in short, the necessity to renew the public-private relationship, not so much on the basis of goals fixed in advance or desired states to be reached through different, if not diverging, ways, as on the creation of an open and shared decision-making process¹⁵.

In this sense the recovery of leadership becomes essential for the public sector, a fact which is linked to different conditions. The ability to play a strong role in the strategic management of a context historically characterized by the lack of public presence, is primarily related to the local administrations' consciousness of having the main responsibility in the planning and operational stages, and not only in promoting the offer.

Improving the degree of inter-institutional coherence between the different fields of intervention appears to be a much more decisive step. Regardless of passing a positive or negative judgment on the measures adopted, outside the scope of the present research, the study reveals the importance of improving the communication process between the Regional level, which outlines the frame of reference for the sector, and local levels. In this sense, not only formal negotiation tools must be institutionalized. Modern dynamics indicate the permanent confrontation as the only way to overcome the political frictions and begin a balanced development, whose only aim is the common good.

Notes

- ¹ It is useful to mention the constant growth in tourist flows in the municipality of Arzachena alone, which had been devoid of tourist tradition until the advent of the Costa Smeralda. In 1977: 393,000 room nights, in 1987: 681,000 room nights, over a million room nights in 1998, and reaching 1,078,324 room nights in 2007. Source: A.A.S.T. - Arzachena.
- ² At a national level, the 'bridging law' n. 765/1967 obliged the municipalities to adopt a Piano regolatore (Town Plan), a Regolamento edilizio (Building Regulation) and a Piano di fabbricazione (Building Plan). Therefore, it is important to highlight the conflict of interests associated with the fact that the person in charge of the Arzachena's Piano di Fabbricazione was the architect Vietti, one of the main designers of Costa Smeralda.
- ³ The total volume of the Master Plan of 1994 was estimated to be 2,555,000 cubic metres. Since then, the Aga Kahn's ownership in Gallura has only covered Meridiana, Geasar and the Yacht Club.
- ⁴ The plan, spread over 7 years, provides, also by partially increasing the disposition of volumes, the building regeneration of the four five-star hotels, the building of a logistic centre, beauty farms, a new hotel. It provides also the regeneration of the village, a new multilevel car park, the demolition of the Sea Watch building, and road re-surfacing. The main effects were calculated to be a growth in steady employment of 520 units and an annual economic growth of € 52 million during its start-up phase, and about € 30 million when fully operating.
- ⁵ Maastricht Treaty, 7th February 1992, art. 3t.
- ⁶ COM (2006) 134 def. del 17.03.2006; Since 2002 the European forum of tourism has been institutionalized.
- ⁷ Agenda per un turismo europeo sostenibile e competitivo, Bruxelles, 19.10.2007, COM (2007) 621 definitivo.
- ⁸ Decree of the Committee 10.08.2004, n. 33/1. The only landscape planning went back to the 14 Piani Territoriali Paesistici (P.T.P.) (Territorial Landscape Plans) approved by decree of the Regional Committee Chairman on 6th and 3rd August 1993, then repealed by decree of the President of Italy in 1998.
- ⁹ In compliance with the Urban Code, Resolution n. 36/7 del 05.09.2006. For the municipalities devoid of P.U.C. the measures of the "decree to safeguard the coastline" are confirmed. Resolution G.R. n. 36/7, 05.09.2006, art. 15, comma 2.
- ¹⁰ It's important to mention, among the numerous initiatives to put an end to the measures of the "decree to safeguard the coast", the Regional Referendum held in 2008. Despite the support achieved during the collection of signatures, above all in Gallura, on that occasion the quorum required was not reached.
- ¹¹ Since their introduction, because of the huge effects on tourism, the taxes have been bitterly opposed. To avoid rejection by the Corte Costituzionale, the Regional Government, with the Financial Law of 2007, made some, also substantial, changes. It reduced the amount of tax on houses and ships, and reviewed the exception for emigrants. Furthermore, a year after its promulgation, the controversy produced a sensational evasion campaign, resulting in a payment of the tax on second homes made by less than 1/3 of taxpayers. With the Financial Law of 2008 the tax on airplanes and yachts is extended to residents. However, in February 2008 the Corte Costituzionale, following an appeal by the National Government, definitively quashed the second

home tax, judged to be illegitimate. The Court also decided to ask European Justice Court judgement on the other luxury taxes.

- ¹² In 2005, in spite of the decreased occupancy in the five-star hotels, the average return rose to 13.5% per room. From 2004 to 2006 Sardegna Resorts, *ad hoc* company for the hotels, lost about € 13 million in total, in spite of having 50,000 clients per year. In 2007, the best year, it recorded about € 2 million profit. The earnings increased by 4.1% on the previous year, and the sales revenue exceeded € 70 million. Moreover, the average return per room went from 873 in 2006 to 929 euro.
- ¹³ The Municipality of Olbia, in this sense, excelled at developing initiatives like the increase in shipyards and the tourist port. Furthermore, the administration invested a lot in cruising tourism and in low-cost flights with central and northern Europe.
- ¹⁴ The first controversy regarded the criteria for nominating the Board of Directors and the Chairman. The first was reduced in number of seats from the 30 assigned to all members to the 5 indicated in the Financial Law of 2007. The second is still waiting to be elected. Another issue is that of the head office, disputed between Olbia, the administrative office, and Arzachena, the registered office. The company, composed of 7 employees and a director, lacks a definite structure and unitary guide.
- ¹⁵ In this sense it is possible to interpret the epoch-making turning point decided by Tom Barrack, who recently established the wider democratic opening of the Consorzio. The leader of Colony, in fact, announced an extraordinary Members' Meeting to change the Statute, and specifically art. 19, which says the Founder Members are entitled to have six votes for each vote attributed to the other members.

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