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DMO GOVERNANCE - REFLECTIONS FROM A FORMER MARKETING TEAM

Steven Pike, Trish May and Robyn Bolton

Dr Steven Pike, School of Advertising, Marketing & Public Relations, Queensland University of Technology, 2 George Street, Brisbane, Queensland 4001, Australia. Email: sd.pike@qut.edu.au

Trish May, May Communications & Marketing Ltd, P O Box 29 668, Fendalton, Christchurch 8540, New Zealand. Email: trish@maymarketing.co.nz

Robyn Bolton, Activate Marketing & Consulting, Paihia, New Zealand.. Email: robyn@activatemarketing.co.nz

ABSTRACT

The paper provides an academic/practitioner collaborative reflection on the governance structure of a prominent New Zealand regional tourism organisation (RTO). The purpose is to address one of the neglected areas of tourism governance research; which is 'Who' governs the destination? The paper discusses the evolution of a public-private governance structure from the perspective of three former senior staff members. The authors were employed during a period of radical organisational change in the administration of the marketing of Rotorua, one of New Zealand's leading resort destinations. The paper uses archival analysis and personal reflections, and concludes with a summary of key challenges and frustrations inherent in the complexity of public-private partnership (PPP) governance of an RTO. It is envisaged this summary of reflections will enhance tourism management students' understanding of the complex and political nature of destination marketing organisation (DMO) governance at a local level.

KEY WORDS: DMO governance, tourism politics**,** regional tourism organisation, local government, public-private partnership, Rotorua, New Zealand

INTRODUCTION

> *In the actual practise of management there is always a danger of politicians, public and private organisations and managers becoming self-serving and failing in their official responsibilities. Public organisations and resources can be used for private purposes. There can be financial corruption but more insidious is organisational corruption, where public objectives and principles are displaced by private objectives (Elliott, 1997).*

Tourism destination decision making takes place within a politically charged environment, influenced by a diversity of stakeholders (see Gee & Makens 1985, Jeffries 1989, Pearce 1992, Greenwood 1993, Bramwell & Rawding 1994, Bonham & Mak 1996, Jenkins 2000, Pike 2008). To date there has been a lack of research related to the politics of decision making at the destination marketing organisation (DMO) board level (Pike, 2004). This paper is concerned with issues of governance for regional tourism organisations (RTO). While the analysis is set within the New Zealand context it is suggested that the issues raised will resonate with stakeholders of RTOs and similar types of organisations in other parts of the world, such as convention and visitor bureaus (CVB) in North America, regional tourism boards (RTB) and area tourist boards (ATB) in the United Kingdom, and local tourism associations (LTA).

From a review of the literature relating to the governance styles of marketing groups, Palmer (1998) identified a loose-tight continuum. Loose, or informal, governance styles are more suited to creative initiatives, with key issues being levels of trust and access to resources. Organisational relationships are self-controlled and based on psychological and financial incentives. Tight, or formal, governance styles are underpinned by legal controls. Loose governance might signal unclear objectives and strategy, but are likely to be more creative, flexible and fast moving. Tight governance, on the other hand, generates clear and formal goals, contractual rights and obligations, but also generates increased bureaucracy in decision making. A useful example of bureaucracy created by a DMO's tight governance style was provided in Scantlebury's (2008) case study of Barbados Tourist Authority. The 1997 Barbados Tourism Act established a board of directors with five sub-committees. Board meetings were used to ratify committee decisions, after which the DMO staff could formally execute strategies. To ensure all stakeholder groups had representation, the board comprised a staggering 19 directors. Scantlebury reported that each director's opinion on every committee recommendation had to be recorded in board minutes. This resulted in lengthy board meetings of up to two days. While the representational initiative was commendable, Scantlebury observed the governance style was not effective in expediting decision making, which must have been frustrating for DMO staff.

It is acknowledged that different ownership models for regional tourism marketing and management exist in different countries. Some RTOs have been based on a single county, such as in Sweden, while others based on macro regions, such in Wales and Western Australia. In the case of Queensland in Australia, the state tourism organisation (STO) provides substantial funding to officially recognised RTOs. The STO defines the political boundaries of each region, which in some cases forces over ten shire councils to cooperate under one RTO banner. In Scotland, ATBs are statutory bodies, coming under the control of the Scottish Tourism Board (Kerr & Wood, 2000). However the ATBs do not receive statutory funding, relying instead on grants from the NTO and local government. In the USA, CVBs are usually one of four types (Morrison et al, 1998, p. 3): independent, non-profit associations/business leagues; chambers of commerce as non-profit associations or non-independent subsidiaries; local government agency, department or public authority; or a special legal entity/authority. Sheehan and Ritchie's (1997) survey of 134 North American CVBs found 75% were independent organisations, with the remainder being part of a chamber of commerce, economic development agency or city department. In New Zealand on the other hand, there are no financial incentives and local destinations are free to organise as the industry and community desires.

There has been a general shift in governance of destination marketing organisations (DMO), including RTOs, in many parts of the world from bureaucratic government departments and poorly funded private sector cooperatives to public-private partnerships (PPP). In New Zealand, most RTOs have moved towards PPP structures. Academics have also written about similar moves in Canada (see Vallee, 2005) and the United Kingdom (Bramwell & Rawding, 1994). The World Tourism Organisation used the theme of 'Public-private sector partnership: the key to tourism development and promotion' for the 1998 world tourism day. There has been relatively little research attention related to the governance efficacy of RTO PPP entities.

Public-private partnerships (PPP)

NTOs have historically been government departments. For example, from a survey of 95 NTOs the WTO (1975) found only six were non-governmental. By the late 1970s, however, a shift was emerging away from direct government involvement in DMO operations. The WTO (1979) found 68% of NTOs were part of the country's government administration, which the WTO suggested provided the advantage of being able to directly influence government tourism policy in addition to undertaking promotional work. The remaining 32% of NTOs were operating outside the central administration. Although still linked to, and funded by, central government, these organisations had a separate legal identity. A benefit of this structure was greater financial and administrative independence. This is representative of a public-private partnership (PPP), which has emerged as the most common form of DMO at NTO, STO and RTO levels. For example, most provincial and territorial DMOs in Canada are now industry led and publicly funded (National Tourism Strategy 2003, in Vallee 2005). Smith (2003) described the evolution of Canada's NTO to a new public-private partnership, the Canadian Tourism Commission (CTC) in 1995. A major impetus for change was complaints by industry that the previous administration was under funded and not market driven. In Britain, PPPs became a means for generating larger budgets for local destination marketing groups during the 1980s and 1990s when tight spending restrictions by local governments were forced by the central government (Bramwell & Rawding, 1994). Poetschke (1995, pp. 57-58) proposed the following benefits of a cooperative DMO PPP:

- reduced antagonism through representation of all stakeholders
- avoidance of duplication through enhanced communication channels between represented sectors
- combined areas of expertise, such as private sector efficiency and public sector holistic benefit seeking

- increased funding potential through the reduction in duplicated efforts as well as industry based taxes
- the creation of a win/win situation through an increase in industry profitability and ensuing increase in government tax revenue

Poetschke (1995) also suggested a typology of PPP models, with the level of industry involvement ranging from lobby group, to advisory group, to general commission, to tourist authority. Lobby groups provide input to the government, which is responsible for designing and implementing tourism policies. However, such lobbying efforts are often antagonistic. Advisory groups provide input through a formal council. However, government remains in full control of setting and implementing policy. In a general commission, the tourism industry plays a formal role in policy decision making at a strategic level. A tourist authority is commonly a separate entity controlled by a board of directors comprising members from industry and government. The board of an authority is involved in more detailed planning than a commission. Advantages for the private sector include larger budgets and increased access to government policy makers.

PPPs have the benefits of government funding combined with private sector management, enabling strategy development to be potentially more entrepreneurial and competitive, while being accountable to taxpayers. The aim of this paper is to analyse the evolution to PPP entity for Rotorua in New Zealand. The focus is on the 'who' of DMO governance. That is, who have been the key types of actors and institutions most influential over time in shaping the destination's ability to become organised in destination marketing? And how has local culture and local politics influenced RTO governance? It is important to state up front that the paper has been written from the perspective of three senior managers who for a decade were involved in the establishment and development of the current RTO. Trish May was founding Marketing Manager from 1990 to 1997, Robyn Bolton was the founding PR Manager and Meetings Marketing Manager from 1991 to 1999, and Steven Pike was the founding General Manager from 1989 to 1996. The authors therefore acknowledge their own biases in the reflexive narrative relating to that period in particular. The year 1988 represented a key turning point towards effective PPP governance for Rotorua. The paper first briefly describes the history of destination promotion organisation leading up to a crisis that occurred in 1988; before reflecting on the development of the new RTO's PPP governance following the crisis.

There have been calls for increased coverage of tourism politics in tertiary education (Hall, 1994, Hollingshead 2001, Dredge 2001). We believe that the main reason for this lack of attention is due to the lack of access for access to DMO boardrooms during actual decision making, which means most analyses will be reliant on interview methods rather than observation or participation. This paper was possible because the authors were actively involved in destination decision making. We therefore conclude with a summary of key learning points, which are designed to enhance tourism management students' understanding of the complex and political nature of DMO governance at a local level. It is suggested this will be of use even in fact if they are heading for a career in tourism, travel or hospitality other than destination marketing. For example, writing specifically to hotel managers, Gee and Makens (1985) provided a succinct and candid explanation of the opportunities, challenges and conflicts that face members of tourism boards:

> *Tourism boards can be an effective force for a community's hospitality industry, and the hotel manager is a crucial part of such a board. But to do its job, the board may have to resist the influences of politics, unrealistic community "cheerleading", and intra-industry competition* (Gee & Makens, 1985, p. 25).

We argue that anyone interested in a management role in tourism, hospitality, leisure and/or events should have an understanding of the challenges inherent in DMO governance, if they are to develop and maintain an effective working relationship.

ROTORUA, NEW ZEALAND

Rotorua is a provincial district located in the centre of New Zealand's North Island, approximately 240 kilometres south of Auckland and 440 kilometres north of Wellington, the nation's capital. The systematic colonisation of New Zealand by British settlers began during the 1840s (Cushman, 1990), with the first European settlement at Rotorua occurring in 1856 (Tapsell, 1972). Media publicity surrounding the 1870 visit of the British Duke of Edinburgh was responsible for stimulating the first real growth of tourist traffic to the Rotorua district (Steele, 1980). The Duke's visit, along with other luminaries of that era, such as Mark Twain for example, is attributed to establishing Rotorua as part of the *grand tour* of the colonies by wealthy Europeans and Americans (Reggett 1972, Savage 1986).

No other town in New Zealand has had such a complex legislative history as Rotorua (Rockel, 1980), which has had substantial implications for the evolution of destination promotion. The Rotorua township was officially recognised by colonial law in 1880, following successful negotiations by the British Crown with the traditional Maori land owners (Stafford, 1986). While a town board was formed that year, it was very much a caretaker body. All important decisions were made in Wellington by the nation's government, which funded almost everything. "No other town in the country enjoyed such support from public funds" (Stafford, 1986, p. 36). Braynart (1980) posited Rotorua was the only town in the British Empire to have been totally controlled by central government. Indeed, the government's passing of the Rotorua Town Bill of 1907 stated that the town was to be managed by the New Zealand Department of Tourist and Health Resorts. Rotorua would not have an independent local government, devoid of government representatives, until 1950 (Stafford 1988, Tapsell 1972).

The Rotorua District Council's (RDC) current political boundary encompasses some 2,500 square kilometres, and boasts a diverse geographic landscape comprising lakes, rivers, a volcano, farmland, forest parks, and geothermal areas. The Rotorua district is the 16th most populated of New Zealand's 74 territorial authorities, with a population of 65,901 recorded in the 2006 census (www.stats.govt.nz). Rotorua boasts a high ratio of Maori residents, at 34 per cent of of the local population. The local economy's main industries are tourism, agriculture and forestry. Outside of the international gateways of Auckland, Wellington and Christchurch, Rotorua is New Zealand's most popular destination in terms of visitor numbers, featuring arguably the largest range of tourism facilities (www.rotoruanz.com). During the past two decades tourism has accounted for an estimated 3,500 full time equivalent jobs (see APR 1991, Fairweather and Simmons 2000).

Rotorua's destination promotion (1901-1988).

One of the first records of destination promotion for Rotorua was in 1901. When the town became the fourth in New Zealand to obtain electricity, advertising was used to promote this new source of power as an attraction for visitors (Stafford, 1988). Stafford noted the following year a local committee was formed to plan a carnival to attract more visitors. However, Rotorua's prominence as a tourism destination was not as a result of work by any local promotion committee, but as a direct result of the government's attempt to establish the district as the country's first tourism resort area. New Zealand's establishment of a national tourism office (NTO) in 1901 was the first of its kind in the world (Steele, 1980), as was the development of a government operated visitor information network in New Zealand and overseas, named Government Tourist Bureaux (Coventry, 2001). The first New Zealand Government Tourist Bureau was opened in Rotorua in 1903.

The initial focus of the New Zealand's fledgling national tourism department's activities was the development and promotion of the Rotorua township. English balneologist Dr Wohlman had convinced the New Zealand government of the value of the European sanatorium concept (Stafford, 1988), and the government planned to develop Rotorua as "a hot water mineral spa on much the same lines as the famous European and English spas such as Vichy, Carlsbad, Bath and Harrogate" (Savage, 1980, p. 5). Wohlmann convinced the government to invest all available resources in the development of one sanitourium at Rotorua, rather than spread resources around the country (Herbert, 1921). An example of international promotion of Rotorua by the Department of Tourist and Health Resorts was a 1903 full page advertisement in the British magazine, *The King and His Navy and Army.* The advertisement called on travellers to visit Rotorua for "its great variety of natural Hot Mineral Waters that cure Rheumatism, Sciatica, Gout, Obesity, Liver Complaints, Uterine Troubles, Nervous Disorders, Skin Diseases, and other kindred ailments" (anon, 1903, p. viii). A prominent strap line in the advertisement referred to New Zealand as the 'Sanatorium of the Earth!'

The government's direct role in Rotorua tourism continued for almost a century. This was in spite of the sanatorium concept being acknowledged a failure by the 1930s and decommissioned in the 1950s (Stafford, 1988). The tourist department continued to manage and promote a range of tourism facilities, including the local government tourist bureau, until the 1980s. As a result of the level of international promotion of Rotorua undertaken by the government, efforts by the local community focused on domestic markets. However, a culture of dependency on government had developed over the decades by Rotorua residents (Pike, 2007). For example, Stafford (1988) noted a number of public requests for government support, even including a 1909 request for the tourist department to manage the town band. A recurring theme in the local media was the call for better overseas promotion of Rotorua by government (Steele, 1980). Steel cited a 1930s example of an editorial in the *Rotorua Morning Post,* which criticised the government for inefficiency and lack of innovation:

"Rotorua citizens will not readily forget the gross neglect that this resort suffered under the previous minister" (p. 25).

Local promotional efforts at various stages until the 1980s included a variety of local government and private sector institutions. As indicated previously, a local government organised committee had been formed in 1902 to organise an annual Christmas carnival. By the 1920s the committee had been responsible for several nationwide campaigns, even hiring a number of advertising agencies (Steele, 1980). In 1927 Council asked the public to assist with tourism, and split its Publicity and Amusement committee into three sub-committees: advertising, amusements, and Marine Parade (Stafford, 1988). In 1932 a local service club moved to bring local organisations together "to effect unity of purpose in the promotion of the town's assets" (Stafford, 1988, p. 201). This resulted in the formation of the Rotorua Advancement League, with community delegates appointed to work with the Council. Council accordingly changed its committee name to the Rotorua Advancement Committee. The annual carnival remained the focus of attracting visitors during the 1930s (Stafford, 1988).

By the 1950s council had employed a full time carnival organiser, and opened a Public Relations Office (PRO), initially as a branch of the Auckland PRO. The office was managed by an Auckland appointed officer and a local promotions committee, on land provided by the New Zealand Tourist Department (Stafford, 1988). The following year, a grant from the Department, sponsorship from Council, and community contributions enabled local management of the office. Also in the 1950s, the local industry had formed the Rotorua Tourist League, which later became a branch of the New Zealand Travel and Holidays Association (Stafford, 1988). Such provincial committees would eventually develop into some of New Zealand' first independent RTOs in the late 1980s (Staniford & Cheyne, 1994). The PRO would remain the focus of council's tourism promotions until its closure in the 1980s, due to long held private sector concerns about the office's effectiveness outside of organising the Christmas carnival. During the 1970s the Rotorua Promotions Society (RPS) was formed by local tourism businesses. A controversial 1982 RPS bid to council to take over promotion responsibilities was successful. Council closed the PRO and provided a grant of $65,000 per year to the RPS, for three years. Public debate over the closure of the PRO still raged in the *Daily Post* fourteen months later (see Daily Post, 19/1/84 - Stafford Collection).

Local media reported constant bickering between the RPS, Rotorua Business Association, Chamber of Commerce and RDC (Rotorua Review 20/6/86).

The 1988 crisis and turning point

By the 1980s many Rotorua tourism stakeholders recognised the local industry was in trouble. The gradual withdrawal of government support over four decades had not only left a void in international promotion, but had brought realisation that the district had relied too much on central government promotion, and had rested too much on its laurels, with the thinking that tourists always automatically come to Rotorua (Pike, 2007). A wide range of important issues such as a lack of investment in infrastructure and tourism superstructure by the council, high levels of unemployment and crime, a general shift in New Zealand travel patterns from coach tours to independent travel, increased competition and a tarnished image, led the RPS in 1987 to commission consultancy to undertake an independent situation analysis. Key findings included (PA Hotels and Tourism, 1987):

- community feelings that the strong promotion of the few high profile attractions had overshadowed the range of alternative activities
- Rotorua did not communicate itself well as a tourism destination and needed professional help
- Rotorua was developing into a town that was not attractive
- Rotorua was stagnant, even going backwards, and living on its reputation
- the Mayor and councillors were not seen to be supporting tourism
- the visitor base was eroded by other communities putting in more effort

In 1988, frustrated by a lack of council and private sector funding and in-fighting between rival tourism entrepreneurs, the board of the RPS resigned as a group and withdrew from its council promotion contract. The move left Rotorua without a tourism promotional agency and therefore forced the council to acknowledge a tourism crisis. Public feedback was sought, which overwhelmingly recommended council urgently needed to take control of tourism promotion. An RPS board member offered this view of the institution's demise (Horn, Fairweather & Simmons, 2000, p. 35):

> *…the Promotion Society just grew and grew and I think in the finish it had about 20 board members and you went to a meeting to discuss the previous minutes of the previous minutes of the previous minutes and really got nowhere – too big, too cumbersome and no-one could get any direction. Badly led.*

A more detailed account of the 1988 crisis was provided by Pike (2007).

The new RTO

Council decided to fund the establishment of a Promotion & Marketing Co-ordinator position commencing in January 1989, with an initial annual budget of $250,000. This was a major signal of the council's commitment given the budget was more than treble that previously provided to the RPS. The sole position initially reported to a subcommittee of council's finance committee. The subcommittee comprised a mix of councillors and private sector representatives. Interestingly, no members of the committee represented the tourism industry. This structure was designed to assuage strong feelings that RPS promotions were dominated by the larger tourism businesses, since council sought to project an impartial image of decision making. This led to unrest in the tourism industry, who while strongly supportive of an impartial council marketer, lobbied strenuously for industry input to decision making. For about 18 months the staff, which had grown to three, had the freedom to initiate tactics to respond to the key issues. During this period Tourism Rotorua was officially established as a division of council, and the Promotion & Marketing Manager position was changed to general manager, and other staff appointments were made. The role of the council sub-committee gradually became hands-off. RDC's mission statement for the RTO was, and remains: *To enhance the economic base of Rotorua by the vigorous marketing of the district as a tourism destination (*www.rotoruanz.com*).*

The next stage in governance development was the replacement of the original council sub-committee with a Tourism Advisory Group. The group comprised tourism representatives appointed on the basis of their individual strengths, and a smaller number of councillors. Industry appointments were made by the Mayor. The group was not legally responsible for either the budget or the staff, but rather operated in an advisory capacity. Staff now reported directly to council management and the finance committee. Problems were aired by both those on the group and those external to the group. Some in the group sought greater control over the budget, while external views included concerns about the lack of Maori representation and questioned the individual appointments. Staff members were continually forced to advise operators that to be effective the group was not large enough to be representative. In an attempt to assuage the latter a Tourism Forum was formed. This was a group of 30 members of the community who were offered positions on the basis they represented a major sector group, such as the Motel Association for example. Invitations were also extended to other stakeholders such as a conservation group and the media. One of the goals was to stimulate increased cooperation among the disparate industry. This resulted in new groups forming, including those with an interest in Maori cultural tourism. The Forum met quarterly and was used primarily as a means to disseminate information on market updates and RTO initiatives, and to discuss industry concerns.

In 1996 Tourism Rotorua released the district's first strategic plan for tourism, which identified eleven strategic directions (see Tourism Rotorua, 1996). At this time the organisation consisted of a marketing team of six and a budget of $1 million, a visitor information centre with 11 staff and an annual turnover of over $3 million, and a redeveloped convention centre with five staff. The three authors all left the RTO between 1996 and 1999. During this period two further changes were made to governance. First, the Tourism Advisory Board moved to a combination industry appointments and elected representatives, where a ballot was held among stakeholders. Second, a series of 'Portfolio Groups' was initiated to progress the strategic directions, including domestic marketing. Elections were held to appoint industry representatives to each portfolio group. The council's electoral officer is currently responsible for overseeing the Tourism Advisory Board elections. The elected board members have responsibility for selecting the chairperson. This can be a source of frustration for RTO staff however. Many tourism operators opted to belong to any portfolio group, taking the view that it would be advantageous for their business. In the case of the conference marketing group, for example, one of the authors was confronted with a group with little experience in the sector.

REFLECTIONS

This section has been undertaken from the perspective of providing key learning points for tourism students. It is the belief of the authors that working at an RTO is richly rewarding, but is also fraught with challenges of a primarily political nature. Advance knowledge of issues that might confront graduates could be to their advantage, not only for those aiming for a destination marketing career, but also for those heading for positions in other organisations that interact with RTOs. Five key reflections are provided, in the areas of:

1. Accountability
2. Leadership in a crisis
3. Support of local residents
4. Tension between tourism icons and new product developments
5. Board composition and mandate

Accountability

One of the major challenges for our team was being feeling a sense of accountability to so many different types of stakeholders, not all of which were necessarily supportive of the council's investment in tourism promotion. Underpinning this situation was the responsibility of having to report to multiple groups internally with the council hierarchy as well as externally to the tourism and business sectors. For example, there were weekly meetings with council senior management, six weekly council Finance committee meetings, as well as monthly Tourism Advisory Board Meetings, quarterly Tourism Forums and monthly portfolio group meetings. In addition to these formal arrangements were the day to day interactions with active stakeholders, which initially included direct approaches from elected council officials, often on behalf of constituents, and lobbying by tourism operators. In the early years the elected councillors were divided into two noticeable groups: those who supported the public investment in tourism marketing and who were involved with the sub-committee, and those who did were not supportive and not directly involved. This led to instances of political interference. It must be acknowledged that the RTO staff reported to the Director of Corporate Services, the late Greg Fraser. Fraser used his considerable political experience and skills where ever possible to protect the team from council politics. Fraser was successful for reducing political interference by ensuring elected councillors were aware of legislation that prevented them from raising council issues directly with the RTO team as employees of council. Under the New Zealand Local Government Act, the elected council has only one employee, the CEO. Therefore councillors could only 'officially' raise issues via the CEO.

The key implication for tourism graduates is the need to understand who the RTO team is accountable to, such as government, taxpayers and tourism businesses, and to therefore be aware that implementation of marketing theory can be much more problematic for destination marketers than for those working for private firms, due to the collective influences exerted by multiple stakeholders. Even the best thought out plans can come unstuck due to the differences in opinions of influential stakeholders. This challenge is more intense at the local level than at the state and national levels, because RTO staff members reside in the community and interact regularly with stakeholders, in both work and social settings. In smaller communities there is little escape from ease of access available to stakeholders.

Students planning a tourism career other than as destination marketers should be aware that their future role is likely to interact with DMOs at different levels. They might even be required to lobby the DMO team to influence decisions of interest to their institution. There has been little research published about influence exerted by special interest groups on DMO governance. The authors agree with the suggestion by Greenwood (1993) that interest groups are more successful the less they use public channels of communication. For example, media is only used as a last resort. Successful lobbying takes place behind the scenes, by those who understand RTO decision making and the constraints faced. Readers might also be interested to learn that Australia's Port Arthur CVB operates a 'political issues committee'.

Leadership in a crisis

The 1988 resignation of the Rotorua Promotion Society signalled the local tourism industry's desperation for impartial leadership. This supports Hall's (1999) proposition that the need for coordination is felt most when there is a lack of it. The primary focus of the new RTO in the early years was to stimulate a more coordinated cooperative approach from what was a disparate group of predominantly small businesses, during a period of stagnation in the destination's lifecycle (Pike, 2007). The implication for tourism students is twofold. First, leadership during a crisis is not for the feint hearted. Although leadership is rarely addressed in tourism curricula, it is actual experience in the 'hot seat' that will best equip individuals to cope in future situations. Second, while tourism entrepreneurs might be happy to be led out of a crisis, the more successful the RTO becomes, the more they will demand more involvement in decision making.

Supportive local residents

Destination marketers at the RTO level ignore the perceptions of the host community at their peril. The RTO does not operate within a vacuum and must acknowledge the role that supportive residents play, including indirectly funding tourism marketing through local government taxes. However, time and other resources devoted towards the local community can be seen by some tourism businesses as straying from the core business of attracting visitors. Education is required on two fronts. First, efforts must be made to regularly remind local residents of the importance of tourism for the community in terms of financial and social benefits. Second, efforts must be made to educate the tourism industry on the need to engage with the community as active participants of tourism. In Rotorua's case, major efforts have been made in the Tourism Rotorua era to engage with the community. This task is made easier in Rotorua by the high ratio of local people employed in the sector. Tourism is highly visible, and residents in general have demonstrated a strong acceptance of tourism, and tourism promotion (see for example NRB 1991 1994, Ministry of Tourism 1992, Horn, Fairweather & Simmons 2000).

The implication for tourism students is that the goodwill of the host community is integral to a destination's competitiveness, since residents will often be called on to deliver the brand promise. Rotorua's brand positioning theme for the past decade has been *Feel the spirit Manaakitanga* (of hospitality). Clearly the visitor will interact with residents outside of tourism situations, such as in supermarkets and traffic, and it is more likely that the spirit of hospitality will be stronger among those residents who i) appreciate the importance of tourism to the local economy, ii) support their local taxes being used for destination promotion, and iii) are positively disposed towards the direct and indirect impacts of tourism. Public relations consultants would recommend a two-way symmetrical approach to communication (see for example Grunig & Hunt, 1984), where individuals are not only kept abreast of key issues that might impact on their lives, but also have the opportunity to provide feedback and be involved in selecting/managing these issues. Tourism graduates should also be able to debate the rationale for local government intervention in tourism.

Tension between tourism icons and diversity of new products

There is a history of tension between many small tourism businesses and the larger tourism icons. The majority of businesses are small family operations, which provide support services in transport, retail and hospitality, through opportunities created by the well known major attractions. One view is that the larger businesses provide more financial support for destination marketing activities and thus usually deserve their fare share of publicity opportunities. To be effective, destination brand positioning requires a narrow focus related to one or a few salient features. Another view is that the smaller businesses, as local taxpayers indirectly contributing to the RTO budget, perceive the opportunities and exposure generated for the larger businesses as being unfair. One implication for tourism students is to understand that destinations are dynamic and evolve over time. Remain cognisant of Plog's (1974, p. 58) assertion that the evolution of destinations can change or obliterate the nature of attractions responsible for the area's popularity: "Destination areas carry with them the potential seeds of their own destruction, as they allow themselves to become more commercialised and lose their qualities which originally attracted tourists" (Plog, 1974, p. 58). Rotorua's reputation was initially established on the back of geothermal resources and the hospitality of Maori culture. Over the past century the sheer number of new product developments has meant that other attractions and activities outnumber by far those related to the original and still better known features. The brand positioning theme attempted to strike a balance in this tension:

> *The new identity was designed to reflect every unique facet of Rotorua. 'Feel the Spirit' encompasses it all – our cultural diversity, our stunning natural environment and awe-inspiring earth forces, our sense of adventure, our people, and the spirit of a progressive community* (Tourism Rotorua, 1996, p.4).

Board composition and mandate

Related to the politics of decision making and the influence of stakeholders are the issues of board composition and mandate. It is acknowledged that legal entity dictates these issues, and they will differ between countries and between destinations even in the same nation. For example in the USA (see Lathrop, 2005) and Canada (see Vallee, 2005), most CVBs are required by federal and state regulations to have an elected non-compensated board, and a set of bylaws dictating governance and fiduciary responsibilities. Typically the CVB board has 16 voting directors. Ever present during the authors experience at the Rotorua RTO, were the following questions: i) How many board members should there be? A small group is more manageable and can be more entrepreneurial and adaptive to change, but is not seen to represent the diversity of community interests. Too many members, and decision making is more likely to become bureaucratic. At this extreme, Lathrop (2005) reported the case of Townsville in the USA, where the CVB had a board of directors with 60 members and yet still had dissatisfied stakeholders who were excluded from decision making. ii) Should board members be elected as in the political system, with all its flaws and transparency? Alternatively should they be appointed on the basis of their expertise, and run the risk of perceived favouritism, nepotism and/or corruption? A danger in any board election system is the appointment those who are popular, or even articulate incompetents, rather than the best qualified. An articulate incompetent has been described as someone who is great at expressing issues and explaining solutions, but fails to act on them (Wintermans, 1994). Bramwell and Rawding (1994, p. 431) suggested that when appointments are made to public funded RTOs by selection, the organisation is "less democratic and less accountable to the local electorate". However, local government representatives on the board can serve this purpose. If government representatives are not included on the board, the issue of accountability needs to be carefully addressed in the funding contract and government reporting process. Lathrop's case study of how one group of dissatisfied stakeholders who were excluded from decision making, concluded with the following lessons:

- Bylaws must clearly define the role, responsibility, and code of conduct for the board and staff. The importance of effective bylaws cannot be overstated.
- Do not exclude key community constituents simply because they might not agree, or because it is easier not to deal with the. The old adage – "keep your friends close and your enemies closer" – holds true in the case of board composition.
- Limit the size of the board. Because of the sheer size of the board in this case study, it was virtually impossible for the chair or executive to manage it effectively.
- Board turnover is a good thing and should be a key aspect of the bylaws. As long as a nucleus of experienced board members and an effective orientation process, the regular introduction of new members should not be a problem.
- Embrace board governance as an effective management and leadership tool.

iii) Since the RTO is a PPO, and staff are employed by the council, the industry-led Tourism Advisory Board has no legislative powers. What then is the meaningful role of the board, and to what extent can they influence strategy and tactics, since ultimately staff members are accountable to council for their decision making?

In terms of the development of a mandate, one view that offers the benefits of simplicity and and universality, which would have been beneficial during the authors' era is McMillan's (2005, p. 186) suggestion that board members and senior management have three key responsibilities. The first is duty of care, which requires exercising ordinary and reasonable care when making decisions, with all decisions made in the best interests of the organization. There is also an obligation to protect confidentiality. The second is duty of loyalty, which requires undivided allegiance to the organization, and in doing so avoid real, perceived, or potential conflicts of interest. The third is duty of obedience, which requires following federal and state laws and corporate governing documents such as articles of incorporation and bylaws.

CONCLUSION

Politics has been described as "the striving for power, and power is about who gets what, when and how in the political and administrative system and in the tourism sector" (Elliott, 1997, p. 10). The political environment in tourism at national and local levels includes governments and ministers, bureaucratic cultures, competing entrepreneurs, the media, other industry sectors, the host community, and special interest groups. The industry is made up of a diverse range of organisations and individuals involved in a complex array of relationships, and it is the challenge of the manager to understand this and work within the system to achieve objectives (Elliott, 1997). Neither DMO staff, nor stakeholders can escape the political nature of destination decision making. The intent of the paper was to provide a contribution to the literature relating to the 'who' of DMO governance at the RTO level. The discussion of tourism politics in the academic literature has been rare (Hall, 1994), and there have been calls for increased coverage of the study of the politics in tertiary tourism education (see Hollingshead 2001, Dredge 2001). Two aspects of the contribution are worth highlighting. First, historical analyses of tourism development remain rare relative to other fields in the tourism literature. In this regard, the paper adds to previous contributions analysing Rotorua's tourism destination development by Ateljevic and Doorne (2000) and Pike (2007). Second, practitioner perspectives about destination decision making are also rare.

From our experience with the evolution of Tourism Rotorua from a loose governance style to a tight style, we support Palmer’s (1998) proposition that a tight governance style will be more effective in maintaining a strategic focus. However, we also found the ensuing bureaucracy associated with more formal decision making can be a source of frustration for entrepreneurial tourism operators and RTO staff. The dynamic nature of travel markets in the macro environment often necessitates fast decision making, action and reallocation of resources. Our ability to do so became more restricted with the shirt towards a tighter governance structure. Rotorua’s destination governance had been devolved from central government to local government, and in turn to the local tourism industry. Local tourism operators were unable to successfully administer destination marketing efforts due to parochialism, infighting and a lack of funding. The paper then focuses on the period from 1988 onwards, which represents a new and improved era in destination governance through a form of public-private partnership (PPP). From our experience, this form of PPP provided the following advantages:

- Funding security for medium term under the provisions of the New Zealand Local Government Act. Government funding, by direct grant or bed taxes, creates a platform for increased participation and investment by individual tourism businesses. Furthermore, this funding removes the need for fundraising by way of DMO membership subscription fees, a mechanism that actually stretches the DMO’s human resources and creates greater expectations from members.
- An RTO mission reflecting the wider community socio, cultural and economic stakeholders.
- Direct links with local government departments that interface with the tourism industry, such as Maori liaison, town planning and business investment.

However, the following disadvantages of this form of PPP were noticeable:

- Political interference, through lobbying by some councillors on behalf on constituents.
- Staff members have many perceived masters, even though official accountability rested with the council CEO.
- Tourism Advisory Board membership and recruitment remained problematic and divisive, due to the lack of a formal constitution.

- An over-reliance on government funding, without other major income streams, leaves the organisation exposed to future political whims in the longer term.
- The public nature of local government bureaucracy. Council's obligatory public reporting systems mean that all aspects of the organisation are transparent.

To conclude, following (Poetschke, 1995), we propose the following key success factors for PPP DMO governance at a local level:

- a formal constitution, which includes the selection, role and accountability of board members
- a clear mandate for the organisation, which incorporates local government objectives relating to the wider community benefits, to become a sustainable competitive destination
- long term dedicated funding commitment by local government, which is not subject to annual reviews
- private sector control over DMO strategy and marketing spend
- clear chain of command accountability for staff members, which includes protection from political interference
- strong communication links with key stakeholders

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