What Type of Organization is Best to Lead Regional Tourism?
Beyond the Dogma of the Market Model of Regional Tourism Governance

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Abstract

This paper examine the conventional wisdom regarding the superiority of the neoliberal market-led approach in leading regional tourism development. Over the last 30 years, the rise of neoliberal market management philosophies has contributed to an incontrovertible “truth” that regional tourism organizations (RTOs) established and led by business actors are best to lead regional tourism development. Despite this dogma, little evidence has surfaced to support the idea that market-led organizations offer a superior model of regional tourism governance. This paper adopts an embedded case study approach, which facilitates a comparison of the leadership phenomenon in two RTOs that are operating in the same geographical location. Semi-structured interviews (n=14) were performed with executives and actors/followers who are directly influenced by the leadership of two different Brazilian RTOs: one market-led and the other government-led. The purpose of the interviews was to examine the capacity of these RTOs to lead the region’s tourism development. The findings reveal that the capacity to lead requires more nuanced attention. The findings also reveal that both types of
organization have an important, potentially complementary role to play in leading regional tourism.

**Keywords:** Regional tourism, destination management, destinations governance, destinations leadership, RTO.
INTRODUCTION

The current destination management discourse suggests that the capacity of a tourism organization to lead involves power sharing, collaboration and joint resourcing arrangements between the public and private sectors (Jamal and Getz, 1999; Bramwell and Lane, 2011). However, in the context of regional tourism, this affiliation is often difficult to put into practice because the industry can be small and highly fragmented. In addition, there is often a lack of expertise and ability in the local business community to accumulate the social capital necessary for the strategic management of a destination (Zhao et al., 2011; Barca et al., 2012; Foster-Fishman et al., 2001). Thus, it is not always clear who is leading regional tourism (Morrison, 2013; Dredge and Jenkins, 2003; Pike and Page, 2014; Valente et al., 2014). This capacity to lead constitutes a significant challenge to regional tourism in many countries, both in developed and developing countries (Costa et al., 2014). To examine this issue, this paper focuses on the ability of Brazilian regional tourism organizations (RTOs) to lead the development of regional tourism. However, the insights generated by this research are relevant in most countries in which the relative merits of different governance models are being debated.

Governments around the world, including Brazil, are increasing their reliance on RTOs to achieve state tourism and economic development policy objectives (Bramwell and Lane, 2011; Fortes and Mantovani Júnior, 2009). Mirroring restructuring processes that are occurring in many countries, in Brazil, several RTOs have adopted bureaucratic command-and-control structures, whereas others have adopted corporate structures to operate as commercial entities (Araujo and Bramwell, 2002). The adoption of different governance models provides an opportunity to compare the capacity to lead under different governance scenarios. However, care should be taken not to assume that an RTO that is characterized in the literature as having “good
"governance" has a capacity to lead. This relationship between governance and leadership provides the focus of this paper.

Adopting an inter-organizational and network view of leadership (Zehrer et al., 2014) rather than an individual perspective, this paper assesses the capacity of two RTOs to lead regional tourism development: a market-led regional tourism organization and a hybrid government-led regional tourism organization. Using an embedded case study of a tourism region in the Brazilian State of Minas Gerais, the paper compares and contrasts these two types of tourism organization. In pursuing this goal, two research questions shape the paper: (1) What are the governance arrangements for each of the RTOs? (2) To what extent do these governance arrangements influence the ability of each RTO to lead regional tourism? Our interest is in determining whether the adopted governance model is related to the capacity of the organization to lead regional tourism development.

THE CAPACITY TO LEAD REGIONAL TOURISM

A large body of research on leadership informs the current paper (Bass, 1985; Crosby and Bryson, 2005; Daft and Lane, 2008; Fielder and Ashour, 1973; Franke and Felfe, 2011; House, 1977; Oborn et al., 2013; Pearce et al., 2008). Leadership theories (e.g., trait, behavioral, contingency, integrative, and distributive leadership) provide a useful background. However, much of these studies have emerged from business research, in which the leadership setting is clearly identified with individuals in a corporate setting (Tiffany, 1999; Peters and Austin, 1985; Nunes et al., 2012). Moreover, much of the literature is focused on the qualities of individual leaders. Little attention has been paid to the capacity of organizations (in our case, RTOs) to lead.

Any discussion of leadership in regional tourism requires a consideration of leadership in an ambiguous context, in which power is shared and there
are multiple competing interests. Previous research in regional tourism has revealed that leadership is a process, an outcome and a concept that is at once tangible (such as a formal position) and intangible (such as an experience, a conversation or the “soft” power of a charismatic actor) (Bolden et al., 2009; Tourish, 2014; Chemers, 2014). In investigating how regional actors define leadership in the Brazilian RTO context, Valente et al. (2014) revealed four dominant leadership themes: (1) the capacity to produce results, (2) the capacity to mobilize followers, (3) the articulation and communication of goals and actions, and (4) the clear articulation of roles and responsibilities. This paper adopts these themes to examine the ability of the two case study RTOs to lead regional tourism development.

Public-Sector Compared with Private-Sector Leadership

The ability of an RTO to lead, i.e., to build community and industry capacity at a destination and to harness the collective power of stakeholders to achieve common goals, relates to the organization’s ability to perform certain tasks. These tasks include engaging with industry and community interests, achieving consensus regarding shared goals, and developing and implementing resilience in the face of new challenges. In regional tourism governance, all of the tourism actors (e.g., community groups, public-sector agencies, private-sector interests, non-governmental and not-for-profit agencies) are motivated by a range of interests and goals. Some of these interests and goals may be shared, whereas others may be unique, competitive or inconsistent with the ideas of other actors (Crosby and Bryson, 2005). Therefore, it is necessary to understand where the capacity to lead resides (both in individuals and organizations) and how it is practiced in these tricky public-private spheres (Jamal and Getz, 1999; Bramwell and Lane, 2011; Dredge, 2009).

Positions diverge regarding whether the public or the private sector is better at or more capable of providing this leadership role in regional
tourism. Certain authors, such as Vernon et al. (2005), argue that the public sector is better able to lead because different from the fragmented private sector it can facilitate the development of strategic directions and innovations. However, these authors also recognize that partnerships are dynamic over time and can vary according to the ability of individual actors to influence outcomes. Therefore, for Vernon et al. (2005), a public-sector tourism organization is more suitable for leading regional tourism.

Estève (2009), Nepal (2009) and Valls (2006) argue that when the public sector assumes a leadership role, interactions between state and business interests dominate, and it is possible that interactions between other actors (e.g., community groups and not-for-profit organizations) become marginalized. In this way, the state drives the process and is the central actor in the regional tourism network. However, because governments have difficulty operating in flexible and adaptable ways, problems can emerge (Bramwell and Lane, 2011). The resulting dispersion of responsibilities creates a lack of communication and fragments tourism management. In a federal system, such as Brazil’s, this situation is exacerbated because most public policies at the federal level do not address local needs (Gomes and Santos, 2007; Pires et al., 2011). The federal government is only distantly concerned with local tourism responsibilities because implementation (in most cases) is performed by states and municipalities that are significantly less well resourced. Thus, there are good reasons to argue that the public sector is not as capable to lead regional tourism.

**Public-Private RTO Leadership**

A decrease in available public-sector funding has created the need for flexible arrangements to accommodate unexpected shifts in markets and a business-like bottom-line focus. In response, regional tourism policy in many countries has increasingly adopted public-private partnership arrangements using a public-private RTO partnership model (Jenkins, 2000;
Bramwell and Lane, 2011). In Brazil, a specific directive from the Ministry of Tourism ordains that RTOs must adopt a leadership role to provide stewardship and strategic development for regional tourism (SETUR PR, 2011). The directive’s goal is to minimize government involvement and to avoid over-bureaucratization and corruption. Thus, the Ministry of Tourism recommends that the leadership of RTOs, which remain under the coordination of the government, be transferred from the public sector to another type of entity appropriate to the region (Fratucci, 2009; Pereira and Lopes, 2010).

RTOs are thought to possess advantages in terms of their ability to lead compared with public- or private-sector entities. RTOs consist of a range of actors (e.g., public, private, and non-government actors). Therefore, the broad range of skills, knowledge and capacities that these diverse actors possess can be utilized. Raelin (2012) and Subirats (2003) consider that the capacity to lead should be framed in a participatory and democratic manner, giving equal voice to the various actors involved in regional tourism. For this reason, the interests and values of RTO members should support the RTO’s leadership role.

However, paradoxically, the ability of an RTO to lead regional tourism also implies the ability to develop a framework of good governance so that the leading organization has “followers” to lead. Good governance can enhance values such as shared goals, communication and power sharing, stewardship over the destination and balancing regional power relations, which enables stakeholders to spend less time on parochial politics and more time on constructively aligning their activities with the lead organization. Thus, the capacity to lead regional tourism and tourism governance are inextricably related (Helms, 2012).

“GOOD” TOURISM GOVERNANCE

In tourism research, “governance” applied to regional tourism includes the idea that power and resources are distributed among tourism regional
actors from the public, private and non-governmental sectors. Dredge and Pf Forr (2008) and Dredge, Jenkins and Whitford (2011) argue that the concept of governance first implied a strong normative approach to providing guidance on how to achieve greater transparency and accountability in public-private partnerships. The concept of governance also resulted in a change in perspective. Governments were no longer viewed as separate and independent of the private sector, and bureaucrats were no longer considered to be the sole arbiters of public interest or unilateral agents of tourism public policymaking (Bramwell and Lane, 2011). In addition, traditional scientific models of tourism policy dominated by government and bureaucrats were dispelled (Dredge, 2009).

Initially, the “good governance” literature was optimistic regarding the arguments that shared power embedded in the discourse of governance could minimize the negative impacts of neoliberalism that were overly focused on corporate interests and profit maximization (Weiss, 2000; Nanda, 2006).

Since late 1980s, after nearly twenty years (1964-1985) of authoritarian dictatorial rule, Brazil underwent a profound process of re-democratization and opened its society to neoliberalization and globalization. Among the subsequent changes, Brazil pursued financial decentralization and introduced reforms in public administration and governance structures that sought to minimize the historical dominance of a heavy-handed bureaucracy (Marini, 2004; Trindade, 2009; Souza, 1999). These changes presented various challenges for Brazil’s political leadership, including the need for institutional structures and processes to reposition the country as more economically accessible and globally competitive (Lohmann and Dredge, 2012).

This literature, which was produced with the best intentions, assumed that “good governance” could be prescribed in terms of, e.g., efficiency, effectiveness, transparency, participation, legitimacy and accountability
(Ruhanen et al., 2010; Bornhorst et al., 2010; d’Angella and Go, 2009). This “good governance” would automatically produce an effective sharing of power and resources in society and improved decision-making practices (Ruhanen et al., 2010).

However, several early advocates of “good governance” have changed their views. They realized that neoliberal values persist and that governance was being used as a type of “rhetorical shield” to justify business-as-usual practices that prioritized certain interests over others (Bramwell, 2011; Bramwell and Lane, 2011). This critical perspective reveals that in certain cases “good” governance has been used to support and justify an increasingly closed circle of business-government interests and that collaboration and sharing of power have not been achieved (Bramwell, 2011; Bramwell and Lane, 2011). Thus, this type of “good” governance does not necessarily contribute to effective political structures or reflect the demands of a strong civil society (Dredge and Thomas, 2009; Torfing et al., 2012).

Given these criticisms, this paper expands discussions regarding regional tourism governance by placing leadership under scrutiny. The framework shown in Figure 1 illustrates the close relationship between leadership capacity and governance dimensions. Dimensions of “good governance” commonly discussed in the literature (Bramwell and Lane, 2011; Dredge, 2009; Dredge and Whitford, 2011; Ruhanen et al., 2010; Bornhorst et al., 2010; d’Angella and Go, 2009) (e.g., efficiency, efficacy, transparency, participation, legitimacy and accountability) influence an RTO’s ability to lead. However, in a reciprocal relationship, the leadership capacity of RTOs also influences an RTO’s ability to develop good governance.

APPROACH AND METHODS

This research assesses the capacity of two regional tourism organizations to lead regional tourism development. We interpret the capacity to lead as
a process, an outcome and a concept that is simultaneously tangible (such as a formal position) and intangible (such as an experience, a conversation or the “soft” power of a charismatic actor). Thus, we reject the idea that the ability to lead is a matter that can be defined and verified through the identification and measurement of universal variables using positivist or post-positivist approaches (in which intuitive knowledge is rejected). This ontological position influenced the adoption of a mixed-method qualitative research strategy using secondary sources of data and semi-structured in-depth interviews (Patton, 2002).

The research adopted an embedded case study approach, which permitted the comparison of leadership in two different RTO settings. An embedded case study is a case study that contains more than one sub-unit of analysis (Yin, 2009). In this research, the sub-units were two RTOs that operate under different governance regimes in the same geographical area. According to Yin (2009), it is particularly useful when the boundaries between a phenomenon and its context are not clearly evident. In addition, when more than one case is used, the evidence is often considered to be more compelling and the method more robust (Yin, 2009).

The characteristics of the case were first examined and described using secondary sources of information, such as online searches of the Associação Circuito do Ouro (ACO) and the Instituto Estrada Real (IER) policy documents (e.g., the two RTOs have stored website and policy documents in these databases), journal articles, magazines articles and government reports. This desktop analysis was useful to confirm the importance and relevance of each actor pointed during the interviews. There were two main reasons for choosing these RTOs. a) Both RTOs influence the same region in the state of Minas Gerais, which affords a major advantage because nearly all of the tourism actors can reflect on the capacity of both RTOs to lead. In addition, b) both RTOs have been...
established for more than ten years, which enables the interviewees to consider the results obtained in the different sub-cases.

**Data Collection and Analysis**

The study employed two data collection methods: desktop analysis and interviews. The study gathered information from the executives of the RTOs and the different actors involved with both RTOs to obtain their perceptions regarding the capacity of the two organizations to lead regional tourism. A total of 14 in-depth semi-structured interviews with two different types of participant were completed in two stages. First, the CEO and the executive manager of each RTO were interviewed (n=4). After the four leaders were interviewed, other actors who were common to both RTOs were interviewed, including private-sector (n=3), public-sector (n=3) and third-sector (n=4) representatives (e.g., development agencies and tourism associations). The interviews were conducted in Brazil in January and February 2013.

The interview data collected for this research was analyzed using three techniques adopted from Miles and Huberman’s qualitative analysis model (1994): empirical materials reduction (in which transcriptions are coded into several emergent categories, themes and concepts), empirical materials display (i.e., ideographic presentations of these categories, themes and concepts) and conclusion drawing and verifying (by constantly comparing the emergent texts within the codes and with other studies). The initial categories, themes and concepts were derived from the previously provided literature review, and NVivo 10 content analysis software was used to store, access, manage and analyze the data. The conceptual framework is presented in Figure 1.

[Insert Figure 1 about here]

**CASE STUDY OVERVIEW**
Since the 1990s, Brazil has introduced a range of social, political and institutional reforms to modernize its economy and facilitate economic and social progress (Lohmann and Dredge, 2012). New forms of regional tourism governance that incorporate public-private partnerships are being introduced, institutional responsibility is moving from central to regional levels, and leadership has been passed from the national government to RTOs. Official tourism governance structures in Brazil have four levels. First, at the federal level, the Ministry of Tourism is the major tourism agency. Second, state tourism agencies are responsible for facilitating state-wide tourism development. Third, at the regional level, RTOs have been created. Fourth, at the local municipal level, usually a Municipal Tourism Department or a similar unit guides tourism development, and public organizations are supported by local tourism industry councils (known as COMTURs). The study area for this case study is a geographical region in the state of Minas Gerais that consists of seven municipalities. Both RTOs analyzed in this research operate in these seven common municipalities.

FINDINGS AND DISCUSSION

Governance Arrangements for the RTOs

Associação Circuito do Ouro (ACO)

In 2000, the State Tourism Department of Minas Gerais (SETUR-MG) was created and began to incentivize the creation of several RTOs in the state in the form of a not-for-profit association, including the ACO. The ACO’s membership is dominated by 17 municipalities. The total coverage area includes 19 municipalities. However, it is not mandatory that each municipality become an ACO member. The ACO’s resources are principally derived from public funds from this municipal membership base. Because of its alignment with public-sector objectives, the ACO is broadly
characterized as a bureaucracy-led model of tourism governance, and in this sense, it operates as an extension of government.

**Participation:** Participation is an effective way of communicating with all of the tourism actors because participation generates a more intense communication structure (Zehrer *et al.*, 2014).

Since its creation, the ACO has been developing a favorable participatory tradition. The ACO holds monthly meetings and, when required, general assemblies to vote on special matters (e.g., the election of board members). According to most interviewed stakeholders, the frequency and the manner in which these meetings occur demonstrates a high level of organized participation. The dynamics of participation of the ACO’s members, particularly of public sector members, is better explained as follows:

Municipalities participate in the ACO’s meetings through representatives appointed by [the municipalities], which may be the secretaries, [the director of the municipal tourism department], or some technical person appointed by the municipality. Every month we meet ... and there we talk about technical issues, such as [recent] statistical data and tourism inventories, among other things ... Before each meeting, the ACO sends [to all associates] the meeting agenda. When members come [to the meeting], they find all the issues very well structured and presented on PowerPoint, and then issues start to be discussed and defined... (RTO representative).

Private-sector participation remains timid. An RTO representative explains why:

Their participation [i.e., the private sector] is still small. They are still not very participatory. We understand it is difficult for an entrepreneur to drop his own business and come here for a meeting that will not immediately give a return. This entrepreneur needs to pay bills [i.e., company bills] at the end of the month... There was a period when the ACO had two work plans, which served the
government and the private sector at same time. It was at this point that we could get closer to the private sector. However, it became difficult to sustain [these two work plans] because our budget is very small.

This statement has two aspects. First, the private actors must overcome their inertia and cease making excuses that they do not have the time or ability to lead and assume more responsibilities in the destination context that affects their business (Gedikli, 2009). The other aspect is related to the current small organizational structure of the ACO (i.e., budget and staff), which places an important limitation on the association’s ability to address the private sector’s needs.

**Legitimacy:** As with participation, the ACO has been developing a well-recognized and legitimate RTO that supports and develops regional tourism. To demonstrate this support, the ACO has defined its mission and the main objectives to establish the group’s legitimacy.

We had a meeting to define our mission [of the ACO]. This was done in conjunction [with all the members of different sectors] using [participation] techniques. All members were divided into groups, and each group could present the following topics: what they thought was the ACO’s role [i.e., the function of the ACO], what was the purpose of the monthly meetings and what would be our objectives... Given these topics, we started to build a text together and adjusted it until we arrived at a clear statement of our mission... Our mission is basically to represent all municipalities [even thought two are not yet members] and associates [members] to support and promote the development of sustainable tourism in the region and the development of policies, plans and projects... (RTO representative).

Yes, I consider the ACO [to be an entity that is] legitimate. [In its early stages, the ACO] appeared as an imposed entity [by the state policy of regionalism]. However, [over time it has proved to be] a very good idea, and [the ACO] is becoming more legitimate today because the ACO is the association that works best in the state today. (Private representative).
Accountability and transparency: According to the respondents, transparency and accountability are important dimensions of governance and are demonstrated in a variety of ways. This accountability to all members (i.e., internally) and to other stakeholders (i.e., externally) is formally achieved by adhering to accepted governance protocols. One practical example is that the ACO presents and discusses annual results with all associates (i.e., members) with the goal of seeking approval and the continued accreditation of the RTO. In addition, the ACO delivers an annual results report to SETUR and a work plan for the subsequent year with a budget for approval.

We have meetings with the Supervisory Board [ACO’s board] ... We present spreadsheets regarding what was spent on organization and management, what was spent on coordination and integration, how much was spent on plans and projects, and how much was spent on information communication and promotion. Although we are a small organization, we already do our accountability with transparency. Today, with little [resources] we already do [this provision of detailed accounts]. “Who makes a transparent business with a thousand will make it with ten million”: that is our thinking. After the accounts are approved here, we take them to the general assembly, which evaluates the report of the Supervisory Board. (RTO Representative).

Efficiency (e.g., the capability of acting or producing effectively with a minimum amount or quantity of waste, expense or unnecessary effort): In the dimension of governance related to efficiency, the ACO’s performance is limited by the size of its organizational structure and its strong relationship with the public sector. One ACO representative explained the matter as follows:

Any suggestion, opinion or proposals are welcome if they are aligned with the proposed work for that year. Otherwise, it is impossible to operationalize the work because our budget and our organizational structure are very small [only two paid staff] ... There was a time...
that the ACO had two work plans, one for the government and another for the private sector. It was then we could get closer to the private sector. However, it was difficult to sustain [these two work plans]. Our current work plan provides support to municipalities in tourism planning and management, and [the municipalities] can use our management tools [that the ACO offers]... (RTO representative).

However, generally, the ACO is a well-evaluated RTO in terms of efficiency, as noted by one participant:

The news that I have [from the ACO] and in my own view is that there are really efficient professionals there [in the ACO]. The president [of the ACO] is very committed and develops efficient work as is the CEO [of the ACO], who has presented here [at the respondent’s organisation] the Strategic Tourism Plan for the city [the city of Ouro Preto]. (Third-sector representative).

**Efficacy:** In this study, efficacy is the capacity of the organization to produce the desired results. The majority of respondents noted that despite the limitations of its organizational structure, the ACO can produce good results. However, the ACO is particularly targeted at public-sector members, an RTO representative explains:

Municipalities [the public sector] can easily see the results. For the private sector, the main feedback we could give them would be about promotion [marketing]. However, it is expensive to invest in promotion... However, if the public sector contacted me [the ACO], we could demonstrate to them all the advantages and results we can achieve in the public sector: we are able to provide a statement of the advantages to the public sector.

[The ACO] offers a number of benefits to the municipalities [of the case study region]. [The ACO] seeks partnerships with other entities, makes covenants with other organizations and shows a more effective result. That’s why the ACO today is one of the best RTOs of the state in this regard (efficacy). (Public sector representative).
The Instituto Estrada Real (IER)

The IER is responsible for the development of tourism on the Estrada Real (ER), which is a tourism destination and an ancient royal road established more than 300 years ago to transport gold and diamonds from the Minas Gerais countryside to the port of Parati in the state of Rio de Janeiro. The ER’s tourism products are located along a 1,600 km route that covers 199 municipalities and an area of 80,000 km² (Instituto Estrada Real, 2012). The IER has established five local branches to better organize its governance structure and to lead its activities and initiatives across the region. One of these sub-regions, the Ouro Preto branch, consists of 22 cities and includes seven municipalities that belong to the ACO. The IER was established as a not-for-profit organization in the form of an NGO through an initiative of the Federation of Industries, Commerce and Tourism of Minas Gerais (FIEMG). The FIEMG is an industry group whose goal is to strengthen the productivity and sustainability of the regional tourism supply chain. One RTO representative remarked as follows:

The FIEMG embraced the ER project and created the IER because the FIEMG understood that this idea [ER] could generate new business for [all] industries in the state. Because if tourism grows, it is necessary to build more hotels, which subsequently impacts [other] industries: earthmoving, construction, lighting, furniture, etc. It turns out that when the IER was deployed [more than ten years ago], the FIEMG decided to support it, and other entities [associations and organizations] did not. Recently, [about four years ago], because of the success of the IER, these same entities have gained interest in working with us ... However, if they wish to participate, they will need to share the costs with FIEMG, and they do not seem to want to...

(RTO representative).

The IER is broadly characterized as a market-led model of governance because it represents and its membership predominantly consists of private interests (not all of which are tourism businesses) associated with the FIEMG. As a result of the centralization of financial control and decision-making in the FIEMG, most interviewed actors indicated that the IER has
demonstrated a high degree of business acumen and a strong commitment to working with the structures and processes established by the parent entity, the FIEMG.

**Participation:** According to the participants, the IER presented this governance dimension only in the early stages of the entity. In the past, the IER was perceived by the majority of the participants as promoting many encounters between participants and IER leadership. Participants acknowledge that the IER initially based its activities on a good idea: the ER (i.e., the Royal Road). This idea was already a dream of the region because it represented a way to capitalize on the historical legacy of the ancient paths used by the Portuguese in the exploitation of mineral wealth by creating a tourism product. Particularly through the efforts of its first CEO, the IER could transform this collective dream into a reality. This project was the great merit of IER, which at the beginning of its activities generated a large mobilization of tourism actors.

There were many meetings [at the IER] with all of the participating world, trying to trace the paths where the Royal Road could pass, etc. ... [The IER] mobilized quite the community. I attended enough of this process. It was something [the ER project] that we believed in a lot. I believed in it. I found that the project [the ER] was becoming palpable. It was a project that worked very well at first. (Private-sector representative).

However, according to the majority of the participants, the IER gradually lost this governance dimension (i.e., participation) and became a generally closed institution, which affected the next two dimensions (i.e., accountability and transparency). In addition, the IER started to lose focus. According to the majority of the participants, it started to independently perform a number of tasks usually assigned to public sector, such as the development of infrastructure. The lack of experience with the nuances of tourism activity made the IER prioritize only the promotional marketing of the ER. Most likely, the IER expected that the tourism product associated with the ER would be structured by other regional actors.
Accountability and transparency, at least internally (with respect to the mother institution FIEMG), is high, as explained by one IER leader:

The objectives of the IER are formulated by us ... These goals and projects are developed internally, and they are presented to [other tourism actors], particularly to the state [SETUR] ... We say ... "We will work with these goals here, and we have a strategic plan". Then, we ask “Do you agree?” ... If they agree with us, then, we deploy [the project]... We are audited by the state. We have a balance sheet and an annual accountability session [with the] FIEMG group.

However, nearly all of the interview participants had not received access to these accounts. They had not observed or heard about IER accountability, which most likely means that the institution’s accountability reports are not made externally available to the tourism actors. Thus, this level of control counteracts certain dimensions of good governance, including participation, transparency and accountability.

**Efficiency**: The IER is perceived by nearly all of the interviewed regional tourism actors as having an efficient staff that is capable of accomplishing certain goals, such as obtaining financial resources from banks.

The IER is able to obtain resources from the IDB [Inter-American Development Bank] because they can prove that they are efficient in the execution of the projects [...] The IER brought many experience [knowledge]: they came with many professionalism. They have always worked with the best [professionals], brought in outsiders with experience to do the job they needed to do. Working this way, they encouraged others [tourism actors] also to work with more professionalism, more responsibly and with greater insight. (Municipal public sector representative).
Efficacy: Typically, IER activities concern the marketing of the “Estrada Real” brand. In this activity, most of the interviewed actors (from all sectors) recognized the initial efficacy of the IER. At international [tourism trade] fairs, everyone asks about the “Royal Road” [ER]. So, this is a great endorsement of [the IER]. The promotion and marketing worked, it was fantastic, and it was responsible for reinvigorating Minas Gerais tourism once again [in the national tourism scenario]. (Development agency representative).

The IER is also effective in branding the ER. Several companies have purchased the right to use the ER brand in their product marketing. There are approximately 110 different products on the market that use the ER brand, such as chocolates, coffee, drinks, garments, bags, and cars. Tourist signage on various sections of the ER is another area in which the IER has been active. According to SETUR’s secretary, the ER is the most important tourism product in the state of Minas Gerais.

Although the two RTOs share the same region, the same context and the same tourism actors, they also present several contrasts.

The ACO was established as a SETUR initiative, whereas the IER was established by the FIEMG. Therefore, the ACO has a strong public-sector influence and relies on municipal councils, whereas the operation and management of the IER is strongly influenced by the private sector. Although the ACO is maintained through fees paid by municipalities, the IER receives financial support from the FIEMG. The ACO has the legal structure of an association, whereas the IER is an NGO. With respect to good governance dimensions, the ACO stands out in participation, legitimacy, transparency, accountability and efficacy regarding public-sector outcomes, whereas the IER demonstrates efficiency and efficacy in terms of good branding and marketing (Table 1).
Governance Arrangements Influence an RTO’s Capacity to Lead

Key themes emerged from the interviews regarding the best governance arrangement to lead regional tourism in the study area. The IER and the ACO possess different capacities and opportunities to lead as a result of their different organizational structures and governance arrangements. Each plays an important role and provides a significant leadership contribution.

1. The efficiency and efficacy of the market-led RTO (i.e., the IER) enhances its capacity to lead tourism product creativity (e.g., the Royal Road) and to achieve national and international recognition (e.g., through promotional marketing and branding).

As a market-led RTO with strong industry relationships and financial support from the FIEMG, the IER demonstrated creativity in its early stages in developing the Royal Road tourism product. As one public-sector participant commented, “I can see that the institute [the IER] had this facility to innovate and realize...” In addition, the IER displayed efficiency and efficacy in marketing and branding. The IER has generated a highly efficient marketing campaign in support of the Royal Road project and as a consequence has created awareness in different national and international markets.

The Royal Road is responsible for placing Minas Gerais state on the tourist map again, not only on the national map but even on the international tourism map. It was the Royal Road that began this “boom”, and this is the great merit [of the IER] because the whole of Brazil knows about the Royal Road. (Third-sector representative).

In fact, the IER was perhaps overzealous and too effective. Products and visitor experiences were being marketed that had not yet been developed, and dissatisfaction with IER products emerged. These circumstances revealed
that the IER, although effective at providing leadership in destination marketing and promotion, lacked the capacity to lead product development more broadly and could not create a sympathetic policy environment for tourism. A development agency representative explained as follows:

They [the IER] invested [in] many [promotional marketing campaigns], and they did not pay attention to the [capability of the] municipal organization. They did not observe the regional organization of tourism; they did not create the infrastructure necessary to ensure this marketing brings good results. The IER left behind a negative legacy because of [the overemphasis on] marketing as opposed to product development... (Third-sector representative).

Another participant, who was a municipal representative, also commented:

[The IER] did not expect to find so many obstacles, so many structural difficulties in unlocking how this tourism product could be consumed... They hoped that the government, councils, business owners, would wiggle [i.e., respond] automatically... The thought was “we’re making a boom in the media; now the rest is up to you”... They were hoping that people [from other sectors] could "pick up the slack". (Public-sector representative).

2. An important underlying requirement in leading regional tourism is a sympathetic policy environment. The bureaucracy-led RTO (i.e., the ACO) has greater capacity to lead in this area, whereas the market-led RTO has less capacity to create this environment.

The IER (i.e., the market-led organization) is detached from the policy environment, and its leadership and capacity to work with the government (i.e., the public sector) is less effective than those of the ACO (i.e., the bureaucracy-led RTO). The ACO has demonstrated strong, proactive leadership in matters that concern policy coordination and collaboration with different levels of government.
The [ACO] understands well what its role is... The ACO is considered by SETUR to be our regional tourism leader, both with respect to the guidelines of the Ministry [Ministry of Tourism] and the state [SETUR]... [For this reason], the chances of the ACO getting a grant from public entities are much greater than those of the FIEMG or the IER... (Public-sector representative).

I understand that the ACO was created with the goal of bringing together municipalities to make a tourist structure to improve the cities’ tourism... [and] to be a point of articulation of the prefectures... If the state government or the federal government has a policy that it wants to deploy, it will do it through the ACO... (Third-sector representative [convention and visitor’s bureau (CVB)]).

3. Leadership in marketing and branding provides a shared sense of community for tourism businesses and is performed better by a market-led organization than a bureaucracy-led RTO.

Initially, the IER created an effective marketing campaign. As a result of these positive community feelings, the capacity to mobilize different stakeholders in the IER was facilitated. At first, this mobilization encouraged the tourism actors (public and private) to work harder. Additionally, favorable results (e.g., growth in demand) were achieved. One participant remarked as follows:

Small communities began to see themselves as potential tourism attractions... [because the ER] brought self-esteem... [The communities start to say] “We exist! We’re on the map”... I think that it was the most important thing accomplished by this marketing work done by the IER... A call for construction... mobilization by the IER was well done, so much so that...today if you ask anyone on the street if he or she is part of the Royal Road, he or she will say “yes.” Even if the person is not involved in tourism, he or she will say that his or her city is part of the Royal Road... (Public sector representative).
However, because of the IER’s lack of participation, transparency and accountability, this RTO began to lose the initial legitimacy created by the early good mobilization that it achieved. One participant explained as follows:

Currently, the [IER] has lost [this legitimacy] ... If you want to legitimize yourself, you cannot “close the doors” [doors here meaning the communications and participation of the entity]: you have to keep the “doors open”. The IER is within the FIEMG group, and the FIEMG is a very closed entity. The IER, as an offspring entity of the FIEMG, is imitating this type of mentality (with no transparency). As a result, the legitimacy of the IER ended up getting compromised. (Third-sector representative).

4. The bureaucracy-led organization (i.e., the ACO) is better at achieving broad participation, transparency and legitimacy than the market-led organization (i.e., the IER), which accommodates a narrow range of tourism business interests.

As a bureaucracy-led RTO, the ACO demonstrates better levels of participation, transparency, legitimacy and efficacy. Therefore, the ACO possesses a stronger capacity for leadership because it can articulate roles and responsibilities and communicate goals and actions. The ACO demonstrates significant results:

We [the ACO] address the administrative part of municipalities so that public policies can be constructed and practiced in communities and can be reflected in the market [tourism] scenario... We have worked so that the city itself is able to manage tourism public policy... Laws are not sufficient by themselves... They need to be implemented, [and] they need to be put into community use ... [The] ACO is for facilitating regional development because it addresses this information and passes it to the state and federation in terms of
expectations, in terms of funding, in terms of project development... (RTO representative).

Within the region [destination], the ACO has stronger leadership because it is able to permeate through the municipalities, particularly with political actors... (Third-sector representative [CVB]).

The tourism industry is fragmented. It involves many sectors and requires action from a range of actors inside and outside of the industry to achieve results. As one RTO leader stated, “tourism planning is 70% articulation and 30% execution. It is necessary to drive communities and the tourism industry through regional coordination”. The ACO practices continual collaborative dialogue with followers, as noted by several tourism actors.

The ACO has a good penetration through the municipalities and political actors. If the federal or state government has a special policy, it will be deployed via the ACO... (Private sector representative).

CONCLUSIONS

The tourism literature has tended to examine destination management and destination governance without drawing on the rich insights of the leadership literature (Pechlaner et al., 2014; Beritelli and Bieger, 2013). Traditionally, leadership has been broadly conceived as the process through which a leader (typically an individual) is able to achieve a set of mutually agreed goals through the mobilization of followers (Burns, 1978; Bass and Bass, 2008; Chemers, 1997). In the context of regional destinations, leadership is a more complex concept because leaders might be represented not only by individuals but also by coalitions of organizational interests (e.g., RTOs) or governments (Valente et al., 2014). As a result of this complexity, leadership in regional destinations
is a problematic concept that requires more attention if tourism management and tourism governance are to be more effective (Jenkins, 2000; Bramwell and Lane, 2011; Valente et al., 2014).

RTOs represent a particularly interesting means to investigate organizational aspects of tourism leadership. RTOs are often hybrid organizations that consists of appointed paid staff, volunteers, and members of industry and the public with an interest in tourism. In addition, legislation or policy to establish RTOs is often developed at other levels of government (which are often distant from the RTO), and any rigidity in these rules can interfere with the operationalization aspects of leadership in the field. Therefore, certain governance principles, such as transparency and civic participation, are involved in the performance of leadership that do not necessarily appear in private companies. Thus, there is a clear gap in the literature regarding how RTOs can provide leadership, what support is required, what strategies are more (or less) effective in establishing leadership and what the challenges of leadership by RTOs are.

Using an embedded case study on a tourism region in the Brazilian state of Minas Gerais, this paper compared and contrasted the capacity of a market-led regional tourism organization (i.e., the IER) with a government-led regional tourism organization (i.e., the ACO) to lead regional tourism development. We were interested in determining whether the adopted governance model was related to an organization’s capacity to lead regional tourism development.

The leadership literature suggests that leadership is dynamic, contextualized and inter-personal. Therefore, it is useful to understand how leadership is expressed in RTOs and to develop guidance based on these insights. The case study demonstrated that leadership cannot be understood as a single set of behaviors, a single structure, or a set of initiatives that complement one another. Through this case study, we have learned that
good practices in one area (e.g., marketing or garnering support and collaboration by the IER) does not necessarily mean that the organization is leading regional tourism in a broader sense. An organization may be good at one aspect and not another because of its structure, governance arrangements or membership. In our case study, we have demonstrated that the two examined organizations have different capacities and strengths to lead. These results have implications for the widely held assumption that market-led RTOs have a better capacity to lead, which is not necessarily the case. The key is to understand which tasks each organization is good at leading and to construct a collaborative environment (for example, using structures, processes and education) that will promote a distributed form of leadership. In this way, different organizations lead with their strengths.

The most significant limitation regarding the empirical study is its exploratory nature; the findings were drawn from an embedded case study.

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Figure 1 - Relationship between Governance and Leadership

**GOOD GOVERNANCE DIMENSIONS**

- Efficiency
- Efficacy
- Transparency
- Participation
- Legitimacy
- Accountability

**LEADERSHIP CAPACITIES IN REGIONAL TOURISM**

- Capacity to produce results
- Capacity to mobilize followers
- Articulation and communication of goals and actions
- Capacity to articulate roles and responsibilities

Influences on the RTO’s capacity to lead

Influences on the RTO’s capacity to govern
<table>
<thead>
<tr>
<th>Main Characteristics</th>
<th>ACO</th>
<th>IER (Ouro Preto Branch)</th>
</tr>
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<tbody>
<tr>
<td>Geographical area</td>
<td>State of Minas Gerais, Brazil</td>
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</tr>
<tr>
<td>Social, political, economic and cultural background</td>
<td>Same characteristics</td>
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<tr>
<td>Number of municipalities in common</td>
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<td>22</td>
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<tr>
<td>Number of municipalities involved</td>
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<td>22</td>
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<td>Established and supported by</td>
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<td>FIEMG</td>
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<td>Strongly influenced by</td>
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<td>NGO</td>
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