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Co-creating Value in Destination Management Levering on Stakeholder Engagement

Value co-creation – an established topic in management studies – it still in its infancy in tourism and hospitality research. This paper investigates value co-creation in destination management by focusing on how DMOs create their destinations' strategic approaches by levering on stakeholder engagement, both online and offline. Building upon a significant body of literature on value-co creation and stakeholder engagement in destination management, we provide a framework identifying four strategic DMO approaches in destination value co-creation. The evidence collected in four selected Italian regional DMOs shows that a combination of interactive digital platforms and offline stakeholder engagement defines a range of strategic approaches. The study provides new knowledge of destination value co-creation and suggests preliminary managerial implications, based on the lessons learned from the empirical analysis.

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Introduction

The evolution of the value co-creation paradigm in the literature on management has opened new research avenues in the service science (Gummerson, 2008; Galvagno and Dalli, 2014; Grönroos and Voima, 2013; Prahalad and Ramaswamy, 2004; Vargo and Lush; 2004; 2008), including the tourism and hospitality domain. In destination management, the engagement of complex networks of stakeholders is widely recognized as key to destination value co-creation. Destination management organizations (DMOs) are still struggling to extract and integrate multiple knowledge and value sources through offline and online stakeholder interactions (Trunfio and Della Lucia, 2018). The gap between the need and the ability of DMOs to identify and use online and offline tools for broader stakeholder participation threatens their capacity to co-create value and gain competitive advantage (Hays, Page, and Buhalis, 2013).

This paper contributes to the debate on value co-creation in destination management by focusing on how DMOs capitalise on stakeholder engagement, both offline and online, to co-create destination strategies. Building upon a significant body of literature on value co-creation and stakeholder engagement in destination management, we provide a framework that identifies four strategic DMO approaches to destination value co-creation. A multiple case study analysis of four Italian regional DMOs (Basilicata, Puglia, Liguria and Friuli Venezia Giulia) shows that these regions employ a range of strategic approaches to capitalise on offline and online stakeholder engagement tools. New knowledge of destination value co-creation processes, and some preliminary managerial implications of these findings are provided.

Value co-creation and stakeholder engagement in destination management

In destination management, interactions between complex networks of public and private stakeholders co-create value (Cabiddu, Lui, and Piccoli, 2013; Melis, McCabe and Del Chiappa, 2015; Rihova, Buhalis, Moital and Gouthro, 2014; Sfandla and Björk, 2013). The

digital revolution has created new opportunities to exploit stakeholder engagement in strategy co-creation: ICTs have reshaped the ways in which value is created, distributed, paid for, and exploited (Gretzel, Fesenmaier, Formica and O'Leary, 2006; Hays, Page and Buhalis 2013; Trunfio and Della Lucia, 2016). A DMO's governance model determines its ability to catalyze broad-based participatory stakeholder decision-making. DMOs – prompted by socio-economic and technological change – appear to be increasingly moving towards shared governance and e-governance models (Beritelli 2011; Go and Trunfio, 2011; Go, Trunfio, and Della Lucia, 2013; Laws, Richins, Agrusa, and Scott 2011; Ruhanen, Scott, Ritchie, and Tkaczynski, 2010; Sigala and Marinidis, 2012). These models – which entail the socialization of the locus of DMO power and enable stakeholder networks to take decisions – allow for reticular interactions, collaborative relationships and knowledge sharing (in both real and virtual spaces), thereby enhancing destination value co-creation (Cabiddu et al., 2013).

Fresh knowledge, which sheds light on this evolving domain, has been provided. Capitalizing on the cross-fertilization of separate research fields, Trunfio and Della Lucia (2018) have integrated diverse theoretical frameworks that analyse destination stakeholder engagement, proposing an innovative method for destinations to capitalize on the decision-making and value co-creation opportunities offered by both e-democracy (Sigala and Marinidis, 2012) and participatory decision-making offline (Byrd, 2007; Plaza-Ubeda, Burgos-Jiminez, and Carmona-Moreno, 2010). The dashboard they offer integrates digital platforms and offline tools that can be used to interpret and evaluate stakeholder engagement in destination value co-creation. DMOs' offline and online tools enable destination value co-creation through digital network interactions and participatory decision making, forms of which range from weak/passive to strong/active. The stronger/more active the form, the higher the value co-created through participation/e-participation and cooperation/e-cooperation. Weak/passive tools enable stakeholder information/e-information and consultation/e-

consultation, but neither affect nor change, DMO decisions and actions. The conceptual framework provided by Munar (2012) and integrated by Gyimóthy, Munar and Larson (2014), in contrast, only focuses on the digital value co-created through five strategies (mimetic, advertising, analytic, immersion, gamification) which are adopted by DMOs in a variety of overlapping, often complementary, ways. When digital community members have greater control over online content and interactions, they appear to increase the value of a destination: tribal dynamics in virtual spaces allow the (digital) community's attitude, sentiment and behavior to affect destination strategy and to multiply the value generated offline through multi-stakeholder participatory decision making (Cabiddu et al., 2013).

Methodology

Italy's 2017-2022 National Strategy for Tourism (http://www.pst.beniculturali.it) put both stakeholder participation in destination management and digitalization at the core of participatory tourism planning. Since 2001, Italian tourism management has been a regional prerogative. Our investigation focuses on four Italian regions whose DMOs operate independently from the regional government: Puglia, Basilicata, Liguria, and Friuli Venezia. These DMOs are our chosen focus because stakeholder engagement in strategy co-creation is more likely to be formalized and implemented when an organization whose specific remit is destination management has already been in place for some considerable time. Previous studies (Trunfio & Della Lucia, 2018) show that the four selected DMOs provide relevant evidence for the different strategic approaches. The four regions account for 11% of the tourist arrivals – mostly domestic (11%) – recorded in Italy in 2017. The integrated tourist offers of these regions target different segments of tourist demand. Seaside locations and cultural sites are the most visited places in Puglia and Basilicata, respectively; in Liguria and Friuli Venezia Giulia both top the list.

This exploratory multiple-case study (Yin, 2014) investigates destination management strategies that enable value co-creation through the combination of offline and online tools of stakeholder engagement; a topic which heretofore has only been preliminarily explored (Creswell, 2007). The conceptual framework which we use to collect empirical evidence, from different sources, integrates the theoretical constructs on destination value co-creation and stakeholder engagement in destination management, both offline and online, that we consider best suited to the analysis. In particular, building upon Trunfio and Della Lucia's contribution (2018), we provide a framework identifying four strategic DMO approaches in destination value co-creation, defined by combining the levels (from low to high) of stakeholder engagement offline and online measured through two ordinal scales (Trunfio and Della Lucia, 2018). The *integrated strategic approach* and the *participative strategic approach* both entail high levels of online stakeholder engagement; offline engagement is high in the former and low in the latter. By contrast, the *participative strategic approach* and the *information strategic approach* involve low levels of online stakeholder engagement; offline engagement is high in the former and low in the latter.

Results

The framework adopted in the analysis allows us to interpret how the four DMOs have engaged stakeholders in destination management. The evidence collected reveals a range of currently used strategic approaches. In Puglia, the stakeholder engagement model identifies an *integrated strategic approach* which levers on both the interactivity of digital platforms and participatory stakeholder engagement offline to shape destination value co-creation. This DMO has adopted an innovative model of stakeholder engagement which uses the web community (Puglia 365) created for engaging stakeholders in the Regional Strategic Plan 2016-2025 (www.puglia365.it) to support its participatory strategic plan. Interactive digital platforms

foster communication, networking, and trust among community members, facilitating their involvement in strategic content creation and product innovation.

Basilicata, in contrast, has adopted an *e-information strategic approach*: stakeholders – whether off or online – are only beginning to engage, and contribute little to the enhancing of the destination's value. Passive forms of offline stakeholder participation in tourism product promotion, including clubs of products such as Walking, Mountain Biking, Active Holidays, are combined with very basic destination e-marketing that only allows information and consultation. This approach is destined to fail in the digital era: the potential for stakeholder interactions to co-create both offline and online value is not utilized.

Liguria and Friuli Venezia Giulia show two intermediate patterns. Liguria adopts an *e-participative strategic approach*. The web community 'Liguria, il turismo che vorrei' (Liguria, the tourism I want) (liguria.ilturismochevorrei.it) – is used to engage stakeholders in active participation, but offline stakeholder engagement takes passive forms. By contrast, Friuli Venezia Giulia adopts a *participative strategic approach*. Innovative offline tools are used to involve stakeholders in the development of the 2018-2025 Tourism Strategic Plan: strategic dialogues, supported by training, create trust and share knowledge, enhancing communities' sense of place and motivation and providing fertile soil for destination co-creation. In both cases, the lack of a synergetic relationship between online and offline tools means that many opportunities to co-create destination value are lost.

Discussion and conclusion

The paper addresses the important topic of value co-creation in DMOs, which is highly relevant in the digital era and yet still under-researched. Drawing together research from different fields, it defines a framework for understanding stakeholder engagement in strategy co-creation which is connected to an aspect of tourist destination management (governance) currently at the forefront of research, and provides interesting material for further research and

development. Preliminary empirical evidence shows that Italian regional destinations are currently using a range of strategic approaches and validates the interpretative capacity of our framework. Some DMOs are capitalizing on a synergetic relationship between the interactivity of the digital platforms and participatory stakeholder engagement; others just on strong forms of either off or online stakeholder engagement. When – as in Puglia – this synergetic relationship occurs, e-democracy (Sigala and Marinidis, 2012) and shared governance (Go and Trunfio, 2011) allow destination value co-creation through stakeholder dialogue and trust and knowledge sharing. Without this synergetic relationship, however – as in the case of Friuli Venezia Giulia, Liguria and Basilicata – this opportunity is lost. Preliminary managerial implications emerge from these insights. Destination managers may use the potential for stakeholder engagement value co-creation in destination strategy effectively by promoting bottom-up multi-stakeholder governance and e-governance models. Digitalization may itself drive this evolution, by facilitating interactive communication, negotiation, and smooth decision-making.

The limits of this exploratory analysis, which provides a critical foundation for the understanding of stakeholder engagement in strategy co-creation, will be addressed in future research. How do the differences between DMOs, including the various segments of tourism demand that they target, affect the strategies they adopt for value co-creation? How do these destination strategies affect DMO performance?

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