

## Local Governance and Entrepreneurship in Tourism – a Comparative Analysis of Two Tourist Destinations

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### Abstract

Literature suggests that local governance might encourage the emergence of innovative businesses. Little is known about that relationship in the context of tourism, although literature suggests governance as a way to deal with the problems of tourism destinations. Additionally, studies in entrepreneurship seldom focus on tourism. This study addresses these gaps by exploring the role of local governance in tourism entrepreneurship. The research strategy of the study is qualitative, using focus groups and semi-structured interviews with diverse local and regional stakeholders, from entrepreneurs to policymakers. Two municipalities in the Metropolitan Area of Lisbon serve as case studies. The differences in the entrepreneurial ecosystems of both territories relate to their distinctive stages of development as tourism destinations. Results suggest that the "good governance" model prevails but that a "one size fits all" approach is not helpful. Results also suggest the need for local governance models to evolve into modes of multi-level network governance, incorporating regional interaction and integration; and recognising participation as the key to democratic legitimacy, transparency, and effectiveness of public policies. With multi-level governance, public administrations at different levels of government are responsible for opening the decision-making process to other relevant actors in society. The study's theoretical contribution concerns the need to investigate hybrid governance models for tourism entrepreneurship. For practitioners (i.e., local decision-makers), this study highlights the advantages of flexibility and a multi-level approach to governance.

**Key Words:** local governance, tourism, tourism destination, entrepreneurship, governance

**JEL Classification:** H7, L26, L83

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## 1. Introduction

Governance applied to the management of public affairs has been one of the most used concepts in the social sciences in recent decades. From the end of the 20th century, it became a recurring theme in a variety of circles – government, academia, and society in general, with various references to governance at local, regional, or other levels, and also in terms of government action in a particular field, such as tourism (Fuentes, 2013). In academia, many authors researched the use of governance to deal with the problems of tourism destinations (Ruhanen et al., 2015). Some authors have suggested that in situations where a control-based management strategy is not feasible – arguing that this is the case of tourism destination management – the search for competitive advantages should be achieved by forming networks. Networks consist of less formalised relationships based on trust, reciprocity, and inclusive governance (Van der Zee & Vanneste, 2015; Volgger & Pechlaner, 2014).

This paper addresses local governance from its role in tourism entrepreneurship. Literature suggests that local governance might encourage and support the emergence of innovative businesses. However, little is known about the relationship between governance characteristics and innovative tourism entrepreneurship. Therefore, the study's main objective is to characterise and compare two local governance models at the municipality level according to their stakeholders, highlighting their strengths and shortcomings for tourism entrepreneurship. The research design is exploratory, starting with the research question, *'how do the characteristics of local governance facilitate the creation of innovative tourism enterprises?'.* It is intended to contribute to current knowledge about governance models and their role in tourism entrepreneurship.

On the one hand, our study addresses a gap in entrepreneurship literature. Tourism entrepreneurship is an emerging area of study, and are still some neglected areas of study, namely applying theories common in the general entrepreneurship literature to tourism (Ratten, 2019). In this study, we apply an institutional/governance lens to tourism entrepreneurship.

On the other hand, the study answers the calls for research on the effects of different governance mechanisms (Song et al., 2013) and a more comparative approach to urban governance (Lucas, 2017; Reese, 2014). In summary, our paper addresses those gaps in the literature by studying the role of local governance mechanisms in the context of tourism entrepreneurship. To the best of our knowledge, this is the first study on the topic. Therefore, it contributes to current knowledge about local governance models, focusing on facilitating innovative tourism businesses, an under-researched area.

The study also contributes to the literature by highlighting the advantages of flexibility and a multi-level (local and regional) approach to tourism entrepreneurship governance, raising the need to investigate hybrid local governance models for tourism entrepreneurship. Valuable insights for decision-makers are also gathered from our results.

## 2. Literature review

### 2.1 Institutional theory and local governance in tourism

Institutions shape the context in which tourism companies operate, affecting both the opportunities and challenges they face (McLennan et al., 2014). Williamson (2000) proposes a four-level framework of social analysis. This institutional framework has, at the top, the social embeddedness level; at a second level, the institutional environment; at a third level, governance; and at the bottom level, resource allocation and employment (Williamson, 2000). Social embeddedness includes informal institutions, customs, traditions, and other factors. This level has been widely investigated in tourism (Gozgor et al., 2019). The second level includes formal institutions, such as a nation's legal systems for

instance, which also affect tourism development (Gozgor et al., 2019) playing a significant role in shaping tourism and hospitality industries (Detotto, Giannoni, & Goavec, 2021; Ghalia et al., 2019; Wu & Wu, 2019). The third level, governance, has been less studied in the context of tourism, especially at the local level (Nguyen, 2022). This level concerns how formal institutions are implemented at the local level (Badola et al., 2018; Nguyen, Mickiewicz, & Du, 2018). This institutional level is particularly relevant for tourism activities because they are, by nature, highly contextualised (Passafaro, 2020) and are strongly concerned with local products, services, and the efficiency of local market mechanisms (Xue & Kerstetter, 2018).

## 2.2 Tourism and Local Governance

There is no commonly accepted definition of governance in the mainstream governance literature. According to Kooiman (2003), governance is the totality of theoretical conceptions about government. In addition, the debate on the concept of governance in tourism is still recent. In tourism, the term governance is used less frequently than political terms – i.e., politics, policy formulation, planning, and destination management. However, the idea of governance covers all these terms and activities more established in tourism. Notwithstanding, there has been a change in literature from the notion of government to that of governance (Beaumont & Dredge, 2010).

Since at least 2008, the World Tourism Organization (UNWTO) has been addressing the theme, making a preliminary proposal for defining governance in tourism. In this phase, the trend in tourism governance emphasised social learning, where actors share their knowledge, ideas, and aspirations and co-construct new visions and action plans. Later, the UNWTO's definition of governance (Fuentes, 2013) evolved into:

*"...a government practice that is measurable and aims to effectively target tourism sectors at different levels of government through forms of coordination, collaboration and/ or cooperation that are efficient, transparent and subject to accountability, which help achieve objectives of interest shared by networks of actors involved in the sector, with the aim of developing solutions and opportunities through agreements based on the recognition of interdependencies and shared responsibilities."*

According to this definition, emphasis is placed on a government's willingness and aptitude to practice coordination, collaboration, and cooperation as guidelines for its interactions to enable networks of actors (from the public, private and social sectors) to recognise and participate in and endorse the objectives of general interest.

Governance occurs at different geographical scales, including transnational, national, regional, or local. Given the vastly diverse situations in different territories, governance functions and activities often vary within and between spatial scales. Although there are several scales of tourism governance, these scales are more interconnected than separate spheres (Hall, 2011). According to Fuentes (2013), one of the first consequences of using governance models in tourism should be the return of decision-making to local governments, markets – consistent with the acceptance of tourism as an engine of economic development and growth – and autonomous public or private agencies. In the context of tourism, effective forms of local governance strengthen participation, accountability, initiatives, and policy actions and provide a forum for information sharing, discussion, negotiation, and learning (Bramwell & Lane, 2008). Beaumont and Dredge (2010) summarise the main parameters for defining good local governance in tourism: positive culture, constructive communication, and committed communities; transparency and accountability; vision and leadership; acceptance of diversity and pursuit of equity and inclusion; development of learning, knowledge, and sharing of knowledge; clear roles and responsibilities of participants, as well as the processes and operational structure of the network.

### 2.3 Local governance and tourism entrepreneurship

The local environment is inevitably connected with entrepreneurs, influencing their behaviours; however, most entrepreneurship studies have focused on entrepreneurial individuals and the functioning of small businesses. Although seminal authors such as Gartner (1985) have used the term 'environment' to refer primarily to the business environment, the literature on entrepreneurship later uses the term in a broader sense since a region's physical and social environments substantially impact entrepreneurial activity. The economic environment is also critical in business creation, particularly for entrepreneurs who do not have sufficient capital. Regarding tourism, the literature highlights the importance of location (Devadas & Jayasooriya, 2021; Honggang & Shaoyin, 2014). Local resources such as the natural and cultural environment attract tourism entrepreneurs. The tourism attractiveness of a destination has a role in explaining the financial success of a tourism venture.

Other factors influencing business creation in tourism are the availability of information to entrepreneurs, a convenient transport system, and a social support network. Although Honggang and Shaoyin (2014) have not found evidence of the direct impact of government policies on entrepreneurs' decisions, we argue that many of the relevant factors mentioned above will result from policy and governance practices. Other authors highlight the role of government initiatives in entrepreneurship (e.g., Tien et al., 2020).

Institutional and governmental support play an essential role for tourist SMEs and entrepreneurs. Government support and resources may be in the form of training, financing, consulting, and marketing (Madanaguli et al., 2021). Access to government support is relevant to explaining tourism firms' success (Liang & Bao, 2018), not only to promote entrepreneurship. Therefore, government programs and incentives positively impact the quantity and quality of entrepreneurship (Chowdhury et al., 2019).

## 3. Methods

Two municipalities of the Metropolitan Area (MA) of Lisbon, Cascais and Setúbal, were considered relevant case studies for our purpose under a comparative approach. This region was chosen because of its relevance in tourism in the European context and even globally. In the last decade, Lisbon has become one of Europe's fastest-growing tourism and most awarded destinations. According to Euromonitor, Lisbon was the 12<sup>th</sup> most visited city destination globally and the 9<sup>th</sup> in the sustainability ranking. This position makes it a relevant international case study. Additionally, although Cascais and Setúbal share similar characteristics, they are in different stages of development regarding their tourist offer, thus enriching the analysis. Moreover, despite the dynamism of tourism entrepreneurs in Cascais and Setúbal, the companies created in the last few years are more oriented toward exploring the usual tourist products (Calisto et al., 2019) rather than investing in innovative and sustainable products.

### 3.1 Research approach

The research strategy of the study is qualitative, using data collection techniques - focus groups, followed by semi-structured interviews with diverse local and regional stakeholders, from entrepreneurs to policymakers. Data were collected before the pandemic situation.

Invitations to focus groups were sent to several types of tourism stakeholders and businesses-related agents (private and public agents, decision-makers, and entrepreneurs, among others), considering their know-how in tourism or their experience in entrepreneurship and, simultaneously, their knowledge of the local territory. Five focus groups were organised in Setúbal and four in Cascais,

with 48 participants. In Setúbal, the invitees that accepted to participate in the focus groups were executives from local municipalities, faculty from higher education institutions, managers and entrepreneurs from the hospitality sector, business consultants, a member of the direction of a business association, and one director from the regional tourism authority. In Cascais, the participants included executives from the local entrepreneurship promotion agency, faculty from higher education institutions, secondary education teachers, an executive from a tourism training association, managers and entrepreneurs from the hospitality and events sectors, business consultants, executives from financial institutions, a director of the national employment agency, a member of the direction of a business association, and executives from the national and local tourism boards. In each city, participants were randomly allocated to each focus group, each moderated by one of the researchers. In these focus groups, stakeholders were asked to identify each territory's main advantages and disadvantages regarding the context of tourism entrepreneurship.

In the second step of the research design, and after analysing the results of the focus groups, eight in-depth interviews were conducted with tourism stakeholders from both municipalities, namely a counsellor for economic activities, the head of the municipal tourism office, the head of the local tourism promotion agency, member of the direction of the local tourism business association, one hospitality entrepreneur, one hotel manager, the president of a professional association. In these interviews, participants were first asked to comment/elaborate on the focus groups' results and then characterise the local governance model concerning the context of tourism entrepreneurship. Interviewees were asked to describe their understanding of the local governance model concerning tourism entrepreneurship. The interview guide was developed based on an adaptation of the attributes of governance models proposed by Considine and Lewis (see Lewis et al. 2021) to describe four theoretical governance types: procedural governance/bureaucratic, corporate governance, market governance, and network governance. Therefore, interviewees were asked about the following attributes of governance models: (1) Organisation/Coordination; (2) Control; (3) Virtue; (4) Focus; (5) Price. Interviewees were also asked about the main strengths and constraints of the current governance model.

Focus groups and interviews were recorded, and those recordings were transcribed to ensure the accuracy of the coding process. These transcriptions were content analysed by two researchers using the NVivo software. For each of the themes discussed in the focus groups and the interviews, a four-step approach was used. In the first step, transcripts were read in full by two researchers to identify meaning units. In the second step, based on the meaning units, the researchers exchanged notes to agree on a list of codes. In step three, all the meaning units were analysed and coded using the codes list. In step four, data was analysed and grouped into categories with constant dialogue between researchers.

## 3.2 Characterisation of the case studies

### 3.2.1 Cascais

Along 25 km of coastline, there are 17 inviting beaches with favourable climate conditions and more than ten golf courses in Cascais. Several other resources can be found in this destination: museums and monuments; the Natural Park of Sintra-Cascais; a Congress Centre; the Cascais Marina; and the Casino do Estoril. The growth in tourism demand has been matched by the supply of accommodation, especially short-term rentals, despite the weight hotels continue to have in terms of the number of beds. Cascais (particularly Estoril, one of its boroughs) is a consolidated and internationally recognised tourist destination whose richness and diversity of resources and attributes satisfy the most diverse tourism segments and niches. Cascais has achieved excellent results (in the pre-pandemic period) in demand, occupation, and revenue from tourism, higher than the average for the



MA of Lisbon. Therefore, the proximity to Lisbon, a mere 30 km away, does not take away Cascais's autonomy as a tourist destination –one of the oldest in Portugal. The profile of the tourists visiting the municipality and the favourable occupancy rate and revenue results suggest an increasing qualification from the supply side. However, Cascais is a victim of its success in tourism.

On the one hand, the intrinsic mobility problems in the municipality are aggravated by the seasonal presence of tourists. On the other hand, cause or consequence of the tourist profile in Cascais, the hotel offer is mainly positioned for the medium/ high segment. Therefore, it has some difficulties attracting new tourist segments that prefer Lisbon. In addition, there are weaknesses in retail stores and tourism entertainment that may also drive away these market segments (Calisto et al., 2020).

### 3.2.2 Setúbal

The municipality of Setúbal belongs to the region of the Peninsula of Setúbal. As a district capital, Setúbal has a significant institutional relevance, centralising a relevant set of services. Nature is the most decisive element of tourism attractiveness in Setúbal due to the beauty of the natural landscapes of the Arrábida mountain and the estuary of river Sado. Gastronomy and wines also have great relevance, with the complementarity of these elements offering a comparative advantage for Setúbal in the MA of Lisbon. These products (*e.g.*, oenotourism and culture) can combat the seasonality linked to sun and sea tourism and aim at market segments that value sustainability, promoting quality tourism. The interesting diversity of resources in Setúbal adds to the potential resulting from the articulation with the nearby municipalities, gaining in scale and diversity of supply in a well-delimited geographical area (peninsula of Setúbal).

However, the city and urban spaces of Setúbal are still elements of unclear attractiveness, despite their potential historical, architectural, and cultural heritage. Although tourism is far from being the most relevant business activity in Setúbal, it has been growing steadily, thanks to its differentiated natural heritage and privileged geographical location, increasing domestic and foreign visitors over recent years. This growth is also the result of local investment in this activity. Despite a positive development toward consolidation as a destination for international tourism, the municipality does not seem to have benefited significantly from the growth in tourism demand in Lisbon, only 40 km away (Calisto et al., 2020).

## 4. Findings

### 4.1 Tourism business environment and governance model in Cascais

In the context of focus groups, local agents were invited to discuss the advantages and disadvantages of the municipality of Cascais for creating tourist businesses. Results are presented in Table 1.

Interviews with privileged interlocutors of the tourist activity confirmed the focus group results and added other dimensions. Concerning Cascais' advantages for entrepreneurship, the interviews highlight the higher education institutions and vocational training in tourism in the territory and add the advantages of the geographical location (proximity to Lisbon) and the growing tourism demand (attractiveness of the destination). Concerning its disadvantages, the interviewees stress the economic factors, such as living costs and the lack of articulation between business players, as significant weaknesses.

A synthesis of how the stakeholders (interviewees) describe the attributes of the current governance model in Cascais is presented in Table 2.

Table 1. Advantages and disadvantages of the tourism business environment (Cascais)

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>➤ The entrepreneurial ecosystem, namely the existence of DNA Cascais <sup>1</sup></li> <li>➤ Offer of training in the territory, including higher education, in the area of Tourism</li> <li>➤ Market with recognition; opportunities, mainly linked to the sea, health, sport, and events</li> <li>➤ Climate</li> </ul>	<ul style="list-style-type: none"> <li>➤ High living and real estate costs; lack of physical infrastructure for entrepreneurs in the early stage of activity</li> <li>➤ Proximity to Lisbon; competing city in terms of attracting entrepreneurs</li> <li>➤ Existing many players and a lack of articulation between them</li> <li>➤ Lack of connection between companies and academia</li> </ul>

<sup>1</sup> DNA Cascais is the municipality agency for promoting entrepreneurship in the territory.

Source: The authors.

Table 2. Synthesis of the characteristics of the current governance model (Cascais)

FORM OF ORGANISATION/COORDINATION OF THE ACTORS INVOLVED	An autonomous agency (DNA) defines its objectives and goals within the framework of its entrusted mission. However, there are also network characteristics, consisting of a diversity of partners, public and private.
HOW THE ACTIONS OF THE ACTORS INVOLVED ARE CONTROLLED	The agents' actions are evaluated according to the fulfilment of the objectives set in the planning phase by the municipal hierarchy. However, they are also evaluated by compliance with the legislation and administrative regulations in force.
VIRTUE OF THE GOVERNANCE MODEL	Reliability (i.e., agents' actions are predetermined and known and tend to be stable over time); and being guided by objectives.
TYPE AND FOCUS OF AGENTS' ACTIONS	The actions are customised for predetermined target groups (mainly young entrepreneurs).
PRICE OF SERVICES OFFERED BY AGENTS	Tend to be free or low-cost.

Source: The authors.

As to organisation/coordination, the model is characterised by decentralisation with autonomy and some network characteristics. Regarding the form of control, interviewees agree that in the governance model in Cascais, the agents' actions are evaluated according to the achievement of the objectives set by the hierarchy (i.e., the city council). Most interviewees consider that the main virtue of this governance model is that there are previously defined objectives. However, none of the interviewees disagrees that the model allows flexibility in developing actions. They disagree that there is a cost minimisation logic in Cascais' governance model. The strengths of the current model identified by the interviewees highlight the city council's role and the role of DNA (the municipality agency) in promoting entrepreneurship and the articulation between public and private entities. This idea might

seem contradictory with one of the disadvantages of the tourism business environment in Cascais (Table 1).

However, that disadvantage relates to the lack of articulation between private agents. Stakeholders also identify constraints of the current governance model in Cascais and the actions necessary to reduce them. There is consensus on the lack of associative culture and network collaboration of the territory's agents with intervention in the tourism business. This result suggests that the model should evolve more in the network logic, where public-private articulation exists. However, this articulation should extend to all agents. The lack of communication is another way of looking at articulation problems. Clarifying the tourism entrepreneurship strategy, de-bureaucratising processes, and improving information and communication are necessary.

#### 4.2 Tourism business environment and governance model in Setúbal

In Setúbal, local agents were also invited to comment on the advantages and disadvantages of the municipality for tourism entrepreneurship. The results are presented in Table 3.

Table 3. **Advantages and disadvantages of the tourism business environment (Cascais)**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>➤ Opportunities for business creation based on the diversity of existing resources</li> <li>➤ Proximity to Lisbon in the logic of complementarity of destinations; good accessibility - Lisbon-Setúbal motorway and train</li> <li>➤ Non-saturation of tourism supply considering the current level of demand</li> </ul>	<ul style="list-style-type: none"> <li>➤ Non-entrepreneurial business culture, particularly in entrepreneurs of the higher age groups</li> <li>➤ Excessive bureaucracy and lack of integration of information relevant to the creation of the business</li> <li>➤ Some restrictions on access to tourist resources by tourists</li> <li>➤ The commercial port management strategy is not focused on tourism; consequences for the operation of the recreational port.</li> </ul>

Source: The authors.

The interviews with privileged interlocutors of the tourism activity in Setúbal also, in this case, confirm the results of the focus group about the advantages, highlighting the geographical location and the business opportunities available in the territory for tourism. Regarding disadvantages, the interviewees unanimously highlight business people's lack of entrepreneurial orientation, and many also highlight bureaucracy-related problems.

A synthesis of how the interviewees described the attributes of the current governance model in Setúbal is presented in Table 4.

Regarding how the governance model in Setúbal is organised, the interviewees identify various forms of organisation, but the network organisation supported by a diversity of agents predominates. There is consensus among the interviewees regarding the form of control of the agents' actions. They all characterise the model as a hybrid in this respect. Control is carried out based on the objectives set, the coherence of the agents' actions with its mission, and internal evaluation. The hybridisation of the form of control is connected to the model's characteristics - closer to the network form - and, as such,



to the diversity of partners. In terms of the model's virtues, interviewees mentioned its reliability and actions being guided by objectives.

Table 4. **Advantages and disadvantages of the tourism business environment (Setúbal)**

FORM OF ORGANISATION/COORDINATION OF THE ACTORS INVOLVED	The network logic characterises the model, consisting of diverse public and private partners.
HOW THE ACTIONS OF THE ACTORS INVOLVED ARE CONTROLLED	Hybrid form. Agents' actions are sometimes evaluated based on achieving the planned objectives. In other cases, actions are assessed according to their coherence with the mission or internally within the partnership framework.
VIRTUE OF THE GOVERNANCE MODEL	Reliability (i.e., agents' actions are predetermined and known and tend to be stable over time); and being guided by objectives.
TYPE AND FOCUS OF AGENTS' ACTIONS	The actions are customised for predetermined target groups (mainly young entrepreneurs).
PRICE OF SERVICES OFFERED BY AGENTS	Low cost and/or at market price.

Source: The authors.

Concerning the type and focus of actions, it is clear that these are customised according to target groups. Finally, concerning the price of the services offered by the agents to entrepreneurs, these are carried out predominantly at the market price or low cost. The strengths of the current model highlight the action of the city council, the public-private articulation, and the networking characteristics of the model. Regarding the constraints to Setúbal's current governance model for tourism entrepreneurship, some aspects stand out: the negative side of some of the forces mentioned above. In particular, over-centralisation and bureaucracy, dependence on the rhythms of political cycles, and the lack of a clear strategy. The difficulties in accessing financing for investments are also mentioned. The necessary measure to improve the model, which the agents identify, is clarifying the strategy. Interestingly, stakeholders highlight centralisation and bureaucracy as weaknesses in a model characterised mainly by networking characteristics.

### 4.3 Comparative analysis

In the case of the advantages related to the creation of tourist businesses common to both territories – Cascais and Setúbal, one finds the proximity to Lisbon and the existence of tourism education and training institutions. Comparing the disadvantages of both territories for tourism businesses reveals the need for local intervention since each territory presents its specificities.

Comparing the attributes of both models (Table 5), one can observe that the main differences relate to the attribute 'form of organisation and control'. The governance model in Cascais seems to be more guided by the city council and its entrepreneurship agency, and therefore control assumes administrative characteristics. This public predominance in Cascais' model might also explain why the price of services for entrepreneurs tends to be lower than in Setubal, where private agents have a significant role, despite the role the city council also assumes. In Setubal, since it predominates the network logic, with many different agents developing actions to favour entrepreneurship, the control system is more diluted and multifaceted. However, the models are similar in their virtues, types, and focus of the actions taken.

Table 5. Synthesis of the attributes of the governance models of Cascais and Setúbal (Comparative analysis)

	CASCAIS	SETÚBAL
FORM OF ORGANISATION / COORDINATION OF THE ACTORS INVOLVED	Autonomy of agency within its mission + Some network characteristics; public and private partners.	Predominates the network logic; public and private partners.
HOW THE ACTIONS OF THE ACTORS INVOLVED ARE CONTROLLED	According to the objectives set + Compliance with the legislation and administrative regulations.	Hybrid (several control modalities, depending on the agents and the situation).
VIRTUE OF THE GOVERNANCE MODEL	Reliability + Being guided by objectives	Reliability + Being guided by objectives
TYPE AND FOCUS OF AGENTS' ACTIONS	It is customised for predetermined target groups (mainly young people).	It is customised for predetermined target groups (mainly young people).
PRICE OF SERVICES OFFERED BY AGENTS	Tend to be free or at a low cost.	Low cost and/or at market price.

Source: The authors.

In Table 6, it is possible to analyse the similarities and differences between the two municipalities regarding the strengths of their governance models. The similarities are related to the city council's action and the public-private articulation, but specific characteristics exist.

Table 6. Comparison of the strengths of Cascais' and Setubal's governance models

	CASCAIS	SETÚBAL
Actions of the city hall to favour entrepreneurship	✓	✓
Actions to support entrepreneurship in Tourism		✓
Public-private articulation	✓	✓
Existence of a municipal agency promoting entrepreneurship	✓	
Networking		✓

Source: The authors.

The municipalities are very different as far as constraints are concerned (Table 7). The apparent contradiction in Setúbal, between networking, as a strength and over-centralisation and excessive bureaucracy as a weakness, might not be contradictory. A network of several partners, many of them

private, will be relatively more sensitive to bureaucracy and centralisation than if the governance model were primarily dependent on public entities, suggesting the need for a realignment of the role of city councils in a network model.

Table 7. Comparison of the constraints of Cascais' and Setubal's governance models

	CASCAIS	SETÚBAL
Communication deficit	✓	
Difficulty in accessing investment programs		✓
Difficulty in attracting investment		✓
Unclear/inappropriate strategy		✓
Excessive bureaucracy		✓
Over-centralisation		✓
Lack of associative culture	✓	
Dependence on the rhythm of political cycles		✓

Source: The authors.

## 5. Discussion and future research

Based on an exploratory research design, the governance model in Cascais and Setúbal, two relevant territories of the MA of Lisbon, were studied. Results suggest that prevails the characteristics of the "good governance" model (Lateef, 2016), meaning that all members of a society can participate in, and supervise, the use of resources and their region's development. However, they also reveal that the "one size fits all" approach is ineffective when addressing local governance.

The entrepreneurial ecosystem of Cascais has strengths, that highlight the role of the municipal agency for entrepreneurship and the offer of vocational training and higher education in the area of Tourism within the municipality. However, it has not been entirely successful in using this potential to solve some of the problems of tourism activity through the innovation of the tourism offer. Opportunities for innovative tourism businesses linked to the sea, health, sport, and events are not fully explored. Cascais also reveals some difficulty attracting innovative young entrepreneurs – resulting from the rivalry with Lisbon in that respect. It reveals a lack of articulation between the agents of the ecosystem to enhance these opportunities. The lack of cooperation between tourism agents is often unfavourable for innovation since the innovation process is collaborative and requires a regional approach (Morgan & Cooke, 1998). The governance model in Cascais has strengths related to the role assumed by the city council, the articulation between public and private agents, and the existence of an autonomous agency linked to the municipality responsible for promoting entrepreneurship. However, the communication gaps between the agents and the lack of associative culture constrain the model's effectiveness.

As for the entrepreneurial ecosystem of Setúbal, it reveals the need for higher investment in human capital. The growth of new tourism companies occurring in the municipality is a consequence

of the recognition by entrepreneurs of the tourism potential of the territory, but this does not directly translate into innovative companies. The business fabric in the municipality seems to reveal little entrepreneurial orientation. In addition, the ecosystem must evolve towards de-bureaucratisation, facilitating the access of future entrepreneurs to information. The current governance model in Setúbal regarding business creation has strengths, such as the city council's actions, the public-private articulation, and the networking characteristics.

The differences in the entrepreneurial ecosystems of both territories also relate to their distinctive stages of development as tourism destinations. The difficulties and opportunities are expected to change with these stages. Therefore, it is essential to adapt the governance model to the different needs of the territories. In both municipalities, work is needed to create a more innovative tourism business ecosystem, suggesting that the current governance modes should evolve. However, the comparative analysis also suggests the need for a differentiated approach considering the specificities of each municipality and a regional integrative approach as well. Some resources transcend the limits of each municipality and will be common to the broader region where they are located.

The theoretical governance model types found in the literature hardly apply to the cases we have studied in their pure forms, suggesting a hybridisation process. It has been recently suggested that hybridising governance approaches can bring freedom and opportunities despite their higher complexity (George, 2022). Hybrid governance models have been reported in tourism literature (e.g., Valente, 2016). In the face of complex societal issues that cannot be tackled through traditional governance arrangements, smart hybrid arrangements appear, which combine governance mechanisms and foster new forms of collaboration (Schaap et al., 2019). Recently, Aristovnik et al. (2022) have reviewed the characteristics and reasons for the emergence of hybrid governance models. Based on our results, Cascais' governance model combines a procedural model with a corporate model (Lewis et al., 2021). The evolution towards a network configuration of governance models that the literature suggests (Fuentes, 2013) is not as present in Cascais as it is in Setúbal. On the other hand, Setúbal has many characteristics of a hybrid model, further away from the pure forms of the theoretical models. From this, we suggest the following proposition for further research:

*P1 Local governance models (for tourism entrepreneurship) tend to be hybrid - i.e., including attributes of different theoretical types.*

Local authorities' role was highlighted in the results - more horizontal, interactive, and flexible governance of a local nature is considered an important instrument to foster entrepreneurship in tourism. This finding is consistent with the literature with examples across the globe, where the relevant role of local governance in tourism has been discussed (Badola et al., 2018; Deng et al., 2019). Tourism activities are highly contextualised and strongly dependent on the efficiency of local market mechanisms (Xue & Kerstetter 2018), which are shaped by local governance. Our results are also in coherence with what the literature on governance indicates regarding the evolution of the concept of governance towards multi-level governance (various levels of decision-making, from supranational to local) (Fuentes 2013; Homsy et al. 2019). Multi-level governance refers to steering mechanisms involving connectivity between separate spheres of governance, recognising the influence of government institutions operating at different scales, and diversification of actors from the private sector and civil society intervening in public issues (Westman et al., 2019). Tourism literature has also discussed the appropriate level(s) of governance (Candela et al., 2015). In our case, the 'love-hate' relation of both municipalities with Lisbon, the fact that many tourism resources in both cases are shared with neighbouring municipalities, and the role of the city council leads us to our second proposition:

P2 *While keeping a local orientation, local governance (for tourism entrepreneurship) should consider ways for regional integration.*

This paper contributes to current knowledge about local governance models, focusing on facilitating innovative tourism businesses, an under-researched area. To the best of our knowledge, this is the first study on the topic. Contributions of this study to literature are related to how results suggest that the pure types of governance models found in literature, although helpful, hardly apply in practice, raising the need to investigate hybrid models further. The study also contributes to the literature by highlighting the advantages of flexibility and a multi-level (local and regional) approach to tourism entrepreneurship governance.

For practitioners (i.e., local decision-makers), this study highlights the advantages of flexibility and a multi-level (local and regional) approach to governance. Our study's implications in the post-pandemic era are even more relevant. Local decision-makers might get insights from this study on fostering a climate conducive to a more resilient and innovative tourism business ecosystem.

Our paper highlights new areas of future research. The first area is theoretical and relates to (i) the further development of local governance models in tourist destinations that support innovative businesses since we identified in both municipalities a hybrid type of model and (ii) the role of regional interaction in that process since tourism resource and products often cross the administrative borders of local territories. The second area for future research relates to replicating this study in other countries and territories to uncover differences and similarities with our results.

## 6. Conclusion

In relatively competitive destinations, tourism businesses are often focused on conventional tourism products and seldom on innovative products, eventually compromising long-term competitiveness. The solution may undergo a governance model that encourages and supports innovative businesses to enrich and diversify the tourism offer from the entrepreneurial action of current or potential stakeholders. Governance can drive entrepreneurship or create an imbalance that can lead to the saturation and destruction of the tourism destination. In our case, we followed the research strand that examines local governments' role in influencing tourism development (Nguyen, 2022) through tourism entrepreneurship.

Despite the specific approaches to the concept of governance of the cases studied, results suggest the need for local governance models to evolve into modes of multi-level network governance, where participation is recognised as the key to democratic legitimacy, transparency, and effectiveness of public policies. With multi-level governance, public administrations at different levels of government are responsible for opening the decision-making process to other relevant actors in society.

In this view, both state and non-state institutions, both public and private, participate and cooperate in formulating and implementing public policies. However, a governance model following this approach must consider the best way of coordinating the network and accountability of the actions of the multiple agents regarding the common objectives. This paradigm evolution has also been observed in tourism governance's specific case. Network governance is also considered an intermediate model between hierarchical and market approaches. Similarly, more horizontal, interactive, and flexible governance of a local nature is considered an essential instrument for fostering entrepreneurship.

As a limitation, this study's results only apply to the cases studied. In addition, data collection was carried out in a pre-pandemic environment, with a growing tourism demand. Additionally, a national and international comparative analysis of other geographic areas might be appropriate for future studies.



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