

BRIDGING INTERNAL AND EXTERNAL ISSUES RELATED TO KNOWLEDGE SHARING: A SERVICE-DOMINANT LOGIC PERSPECTIVE

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SOMMARIO

In the wake of the financial crisis the destination regeneration debate for achieving sustainable tourism development requires the definition of an appropriate governance system, the establishment of a critical mass of local stakeholders and procedures for effective decision making aimed at balancing economic, environmental and socio-cultural assets and interests. This paper examines one of the most innovative contributions to the regeneration debate by Vargo and Lush's "(2004)" Service-Dominant Logic and its foundational premises. It leverages social capital to establish an embedded destination governance model thus transforming destination's government, enterprises and civil society into resource integrators. The latter provide social support for the effective development of interdependent knowledge and skills networks, offering tourists value propositions and achieving a sustainable cooperative advantage. This approach is applied in rural marginal areas of Trentino, Italy, to establish new territorial governance models able to support local development by a value co-creation process.

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1. Introduzione

The tourism industry worldwide is – and will be subject in the coming years – to deep structural changes on both the supply and demand side as a result of macro factors of global change “(Dwyer et al., 2009; Weaver, 2011)”. Whilst emerging trends are heterogeneous (economic, political, technological, environmental, demographic and social) and their implications are manifold, they converge around the need to rethink the development model of all sectors – including tourism – considering the paradigm of sustainability. Balancing economic, environmental and socio-cultural assets involved in the tourism production “(Inskeep, 1991; Swarbrooke, 1999)”, requires setting up an appropriate destination governance system to allow and foster coordination of all relevant stakeholders on the vertical (local-global) and horizontal/diagonal (local-local) scale.

The knowledge-based society makes the achievement of this goal more complicated. It has created a new tourism destination context characterized by ‘fuzzy boundaries, a diverse community of stakeholders on local, regional, national and international level and multiple layers of rule-making institutions’ “(Hess and Ostrom, 2001)”. Decentralization and asymmetric information press destinations to become interdependent networks of information brokers. Through the creation of coalitions of stakeholders, destinations can develop, faster than buying direct control “(Ruigrok and Tulder, 1995)”, knowledge and skills needed to address successfully the emerging tourism scenarios “(Dwyer et al., 2009)”, creating values for customers and local citizens and achieving a sustainable tourism development. Significant barriers need to be bridged to create growth and wealth by building on private-public stakeholder collaboration as stakeholders have different backgrounds, agendas, aims, roles, competences and power “(Keller, 1998; Bieger, 2005)”. Strictly connected to stakeholders’ fragmentation, it is the lack of local stakeholders’ engagement and the creation of a solid knowledge and skill infrastructure. The establishment of interactive governance systems “(Kooiman et al., 2008)” in which partnerships of wider groups of strategic actors are engaged in Coexistence Strategy design “(Go and Trunfio, 2011a)”, can play a primary role to overcome the obstacles destinations encounter to coordinate fragmented and diffuse knowledge possessed by stakeholders, extracting and integrating multiple knowledge sources in destination decision making “(Caalders, 2003; Kooiman et al., 2008; Richards and Hall, 2000)”.

Within this context, the paper aims to define how, in the knowledge-based era and in the service economy, a paradigmatic shift of the place analysis toward new models of territorial governance based on Coexistence Strategy Design can guide the evolution of emerging destinations in a value co-creation perspective. The second section focuses on the possible connections among Service-Dominant Logic “(Vargo and Lush, 2004 and 2008; Warnaby, 2009; Michel et al. 2008)”, social capital “(Inkpen and Tsang, 2005)” and embedded

governance model for Coexistence Strategy design “(Go and Trunfio, 2011a)” to create a knowledge platform facilitating stakeholders’ engagement in sustainable destination strategy making. The third section applies this approach to rural marginal areas of Trentino and investigates how the embedded governance model might reconcile diverse piece of knowledge and skills in a platform structure “(Go and Trunfio, 2011b; Go et al., 2011)” designed to engage stakeholders in the process of sustainable destination development. The last section offers a discussion of results and provides some suggestions for future research.

2. The embedded governance building process and Territorial Service-Dominant Logic

In modern era, technological innovation and globalization dematerialized and decontextualized markets, human spaces and goods through the accelerated access to cyberspace world-wide. Places, companies and consumers are abandoning the central feature of the modern economic system. Rather than exchanging property on the market of buyers and sellers, they are pooling property within vast virtual supplier-user networks, and leasing, renting, charging an admission fee or subscribing a membership to access and share the use of this property. Intellectual capital is the driving force of the new era and suppliers who amass valuable intellectual capital are beginning to exercise control over the conditions and terms of users’ access to critical ideas, knowledge and expertise. These changes taking place in the structuring of economic relationships are part of an even larger transformation occurring in the nature of the capitalist system which is shifting from industrial to cultural production “(Rifkin, 2000)”. Consequently, a vast array of cultural experiences and services rather than traditional industrial-based goods, are currently driving the growth of the global travel sector and tourism destinations.

In this context, the Service-Dominant Logic “(Vargo and Lush, 2004 and 2008)” affords us an interesting perspective to rethinking dynamically and interactively the value co-creation process of all the members of the ‘strategic network’ “(Warnaby, 2009)” involved in local and regional development. Recent studies “(Go and Trunfio, 2011c)” applied this approach to analyze how Bilbao might re-configure its iconographic Guggenheim Museum brand as one of the attributes of a larger distributive institution aimed at sharing operant resources (knowledge and skills) and building a competitive advantage of destinations and regions. Such transition implies a dynamic system which processes are being directed by intervention aimed at effective decentralization through the stakeholders’ participation in decisions that matter to them. In turn, same serves as a wake-up call not only for rethinking the internal logic of organizations, networks and destinations, and their boundaries, but also the spectrum of stakeholders’ engagement in crafting the Coexistence Strategy Design “(Go and Trunfio, 2011a)”. Territorial governance approaches typically follow two strategic rationales: the destination management approach and the political-institutional hierarchic approach “(Go and

Trunfio, 2011b)”. But, governance is a relative and contextual concept which “depends on the actors and groups involved in the network, their aspirations and value and the decisions they make about issues, such as accountability, transparency, participation, communication, knowledge-sharing, efficiency and equity” “(Beaumont and Dredge, 2010, p. 7)”. In the knowledge-based era, governance is characterized by concepts such as ‘interactivity’ “(Kooiman et al., 2008)” and expression of pro-tempore dominant coalitions “(Nigro and Trunfio, 2012)” between the stakeholders that converge toward defining dynamic strategy making. The embedded governance approach challenges the evolutionary process of complexity (cognitive, relational and cultural). It proposes a third rationality which embeds the subject of governance in a hierarchic model (linear) whilst preserving the bottom-up democracy (non-linear) “(Go and Trunfio, 2011b)” combining in a single platform structure, government, legislation, characteristics of local context, networks and stakeholders engagement. This platform structure serves as an information filter and a possible bridge for knowledge and skills transfer between networks of public, private and individual stakeholders.

Two main ideas may be conveyed by joining the Service-Dominant Logic with the embedded governance model “(Go and Trunfio, 2011c)”. First, territorial policies require harmonization on different managerial and institutional scales (international, national, regional and local levels). Second, policy making organizations exist to integrate and transform micro-specialized competences and skills (of tourism stakeholders) into complex service (territory) demanded in the marketplace “(Vargo and Lush, 2004)”; a strong brand which represents this territory responds to the need for sustainability providing services “(Belz and Peattie, 2009)” to tourists and the local citizens. In this perspective, the Service-Dominant Logic seems to have an important role to support the territorial governance process building by leveraging the territorial social capital which is needed to engage a critical mass of stakeholders in destination decision making. The matrix by Inkpen and Tsang “(2005)², which comprises three social capital dimensions (structural, relational and cognitive), represents a conceptual framework for investing in governance and building on knowledge as a coordination mechanism to establish conditions of Coexistence Strategy design “(Go and Trunfio, 2011a)” and overcome the dilemma of governance “(Prahalad and Ramaswamy, 2004)”. The micro-foundation of Triple Helix model of Innovations “(Leydesdorff, 2005)” based on the interfacing of universities, firms, countries, relations exchange (e.g. media of communication) and expected information value of the network arrangements, can support the knowledge transfer process. Also, facilitate stakeholders’ engagement in the formulation and implementation of a sustainable destination strategy.

3. The rural marginal areas of Trentino

A previous research “(Go and Trunfio, 2011b)” applied the embedded governance model to the Trentino Province, Italy, in order to explain the relationship between governance model, networking, destination management strategy, place branding, knowledge management and ICT. It showed the role of territorial governance (named Trentino Marketing Spa) in balancing local heritage and innovation, thereby preserving sustainable development and quality of life, derived from territorial assets “(Go and Trunfio, 2011b)”. Within this theoretical framework, the present paper applies the social capital matrix “(Inkpen and Tsang, 2005)” and the Service-Dominant Logic “(Vargo and Lusch, 2004 and 2008)” to analyze how rural areas of Trentino established a territorial governance model able to support a sustainable tourism development and value co-creation processes. The areas analyzed were included in the European Project Listen the Voice of Villages (www.listentothevoiceofvillages.org) developed within the 2008 Central Europe Program “(Della Lucia and Martini, 2012; Go et al., 2011)”. It involved a network of rural villages of central European countries (Northern Italy, Austria, Germany, the Czech Republic, Poland and Slovenia) which are examples of emerging destinations with rural activities, traditional society structures and lifestyle suffering from problems typical of many Central European and/or formerly Socialist countries. Marginalization (geographical, economic, or social), fragmentation, depopulation and unemployment characterize their economy, however they retain an enormous yet unexploited tourism potential (natural, cultural, and historical assets) which could become a driving force of socioeconomic development if properly exploited. Instead at this moment tourism is, neither, yet, developed nor in the early stages of the destination’s life cycle “(Butler, 1980)2.

Tesino-Vanoi, Valle dei Mocheni, and Valle del Chiese are the three areas of Trentino involved in this European network of rural villages. They are small and geographically peripheral territories, which are hard to access. Due to mountain/forest coverage or agriculture areas, their population is both sparse and spread leading to a low-density. Moreover, they share the features of divergence and fragmentation, which typify the character of most rural area economies. However on a more positive note, some economic sectors have prevailed in the villages which provide much needed jobs for the inhabitants in local businesses (e.g. service sector or industry) managed by multiple, independent actors and small or medium-size businesses. This productive structure provides evidence that traditional sectors still play an important role in the local economy (forestry, agriculture, zootechnics, wood art, and crafts), even though the transition towards capital-intensive industry or service complexes, including tourism, continues unabated.

3.1 The social capital of the rural marginal areas of Trentino

The social capital can contribute to create appropriate conditions for local development by building on knowledge and skill sharing and value co-creation in the case of rural marginal areas. Accordingly with the Inkpen and Tsang's matrix "(2005)", the knowledge transfer and the conditions which may facilitate this transfer depend on the nature assumed by social capital dimensions (structural, cognitive and relational) in different network types (intra-corporate network, strategic alliance and industrial district). The rural marginal areas of Trentino can be assimilated in the Industrial District network type of the matrix because of their fragmentation and their traditional society structures, rural activities and lifestyle.

The characteristics assumed by the three social capital dimensions reflect the economic development level of the three rural villages of Trentino. The structural dimension (network ties, configuration and stability) is rather weak; non-hierarchical and dense ties exist among the local community members. These result from interpersonal relationships developed through informal social networks within geographically circumscribed areas. However the stability of networks is exacerbated by the continuous exodus of host community members. So, at the economic development level there is ample room for improvement. The cognitive dimension of social capital has, like the proverbial coin, has two sides: shared goals and individual interests. The latter results from a heterogeneous and fragmented 'landscape' of local stakeholders, whose interests, aims and competences differ and make attaining the former a very tall order, indeed. Cases that reflect the fragmented landscape scenario are either in the embryonic stage of destination governance and destination management organizations (DMOs), or not existing, as of yet. In a shared culture scenario the positive effect of a strong sense of place is evident. It comprises a collective identity, shared values and behaviors and a distributed, tacit knowledge. The cognitive dimension can be connected to the relational dimension of social capital. Within the social-economic framework trust is a very important element of the shared culture. In this regard the latter provides the 'glue' which serves as a process-based driver, at the individual level, to generate social capital, which in turn, is critical for promoting and maintaining relationships and skills needed for knowledge sharing.

From a social capital perspective, the rural villages featured in our case show weakness, particularly in the cognitive dimension. In turn, such weakness affects the structural and relational ones. The incapacity of structural and relational social capital has contributed to the marginalization and depopulation and/or unemployment of rural areas and opportunism. The establishment and implementation of network concepts and forms of collaboration in networks is urgently required. But same has societal, fiscal and judicial consequences that must be understood at three, intertwining levels. First, the structural scale in the context of a knowledge based society creates urgency to understand embedded governance from a knowledge infrastructure perspective. Second, at the relational scale insight is needed into an inter-action logic. Particularly, norms, rules and sanctions must be established to govern

informal relationships, know-how transfer and reduce incidents of free-ridership and opportunism among destination stakeholders. Third, at the cognitive scale educational means must intensify stakeholders' engagement, acceptance of the benefits of knowledge sharing and shared network goals to reduce perceptions of impediments and bring about a virtuous cycle of value adding processes that benefit stakeholders, both individually and collectively.

3.2 The governance model of the rural marginal areas of Trentino

The actions taken by the European project are designed to bridge the barriers that each rural village encounters at a local level. They leverage social capital to establish a governance model needed to harness the knowledge and share the expertise and aim of each village into a 'commons' perceived as tourist destination aimed at sustainable tourism development. The governance model formulated is based on Task Forces. They can be seen to function as platforms in which top-down and bottom-up drivers of local development converge. Top-down driving forces are Project Partners (Universities and local development Agencies) and Destination Management Organizations (if they exist) or agents who actually play this role at an embryonic stage. They guarantee, respectively, the scientific approach to define the model and the expression of the needs, strengths and weaknesses of the rural villages. The Public Administration is represented through a separate body (Board of Mayors) which has a political orientation; in particular, it supervises and legitimates the Task Force's action. Local Guide Groups are bottom-up driven representatives of local private or public stakeholders and communities in charge of the formulation of projects aimed at sustainable tourism development (i.e. local businesses, organizations, associations, municipalities etc.). In particular Tesino-Vanoi project focuses on the First World War cultural heritage (forts, trenchers, barrier lines, Great War Museum, castles, and residences) to develop thematic trekking or cultural tourism with storytelling experiences related to episodes of this historical event. The Valle dei Mocheni focuses on the richness of water resources (streams, waterfalls, mountain lakes, water mills and, hot springs) to develop water experience products. Valle del Chiese aims to transform small farms and animal husbandry farms into rural educational laboratories addressing school groups and families with children.

The actors that compose the Task Forces aimed to develop these projects were selected in accordance with the type of tourism offers and markets that need to be developed and the resources/competences which stakeholders may provide. In Tesino-Vanoi (First World War trekking/experience), the Great War Museum, together with local Ecomuseums, natural parks, mountain guides, and owners of traditional accommodation facilities, join the Local Guide Group. Mocheni's cultural institute, associations which promote accommodation in mountain estates, and other owners of accommodation facilities compose the Valle dei Mocheni Local Guide Group (Water experiences). In Valle del Chiese (rural educational experiences) the

main actors represented are an Ecomuseum, a Natural Park, and the local hydrologic basin. The project Partners (Province of Trento and Trentino Marketing Spa) supported the development and implementation of these projects by providing stakeholders with education and training to conceive a tourism product consistent with the local resources and the principles of sustainability, i.e. destination planning and local stakeholder participation in decision making.

The governance model formulated is an example of embedded governance which supports the engagement of institutional actors, businesses, education and community within a destination knowledge platform structure. This platform reconciles the three dimensions of the social capital developed within these areas fostering their strengths and promoting the overcoming of their weakness. Such platform would consist of a filter of information to reduce the external variety and converge toward competitiveness, a facilitator bridge of knowledge sharing and communication transfer between single actors and network. The platform was designed with a customer-service-oriented and relational view in mind and leverage integration in a distributive institution based on trustworthy relationships and social innovation for bringing growth and prosperity peripheral territorial society. Consequently, the local projects, which this embedded territorial governance developed, integrated local products, traditions and folklore in the tourism experience and transformed the rural estates which provide evidence of these traditions into tourism facilities. Temporary mountain/agricultural/cattle settlements turned into accommodation units as well as providing experiential products. Their renovation (many are uninhabited, disused, or in a bad state of conservation) helped to maintain the typical building model of these areas (cultural heritage) and limit the environmental impact of new buildings. In this way, these new tourist products are transmitters of the local heritage, knowledge and skills whose value is enhanced through the interaction and the co-production processes with tourists.

An international association – Vital Villages Association– will increase the value of this governance tool and the related knowledge and skills, networking and branding to international targeted markets, all the rural villages involved in the European Project and other possible members which intend to comply with its standards, norms, rules and regulations.

In sum, destinations have a great need for institutions and ways to create and enforce norms and rules that induce cooperative solutions at both the local and the transnational scale. It is therefore very important that the Vital Villages Association identifies the main lines of thought around the embedded governance model and frames its research in a robust knowledge infrastructure. The local and international platform structures afford stakeholders a design to reduce their transaction cost and lever knowledge networks to overcome the barriers of scale, resources and image, respectively. They need such knowledge to assess relationships and the position in networks and the international market on which the perceived image and

therefore the very existence of the three villages of Trentino – and the European network of villages – as a sustainable destination either stands or falls.

3.3 Service-Dominant Logic for the rural marginal areas of Trentino

Compared to the Bilbao case “(Go and Trunfio, 2011b)”, which shows how the application of a globally known iconographic brand can connect a municipality to the core, the case of rural marginal areas of Trentino is set in the opposing, peripheral context. The former demonstrates the touristic requalification of an industrial city starting from the iconographic value of Guggenheim Museum and the value co-creation based on the networked organizations and stakeholders. The rural marginal areas of Trentino are examples of destinations in the early stages of their life cycle “(Butler, 1980)” which lack strong tourism specialization, institutions and stakeholder engagement.

Some issues follow on from the core-periphery dichotomy, such as: how the theoretical argumentations used in the Bilbao case can be translated to the analysis of rural marginal areas of Trentino? How the social capital “(Inkpen and Tsang, 2005)” and the embedded governance model “(Go and Trunfio, 2011a)” could support the process to introduce in these areas the new marketing approach of Service-Dominant Logic? Sic stantibus rebus, how the Service Dominant-Logic can represent a theoretical approach to underpin the social capital “(Inkpen and Tsang, 2005)” and embedded governance “(Go and Trunfio, 2011a)” argumentations to support destination building of the rural marginal areas in sustainable way (economic, environmental and social)?

The social capital and embedded governance perspectives emphasize primarily the internal dimensions of places looking for conditions, mechanisms, roles and knowledge transfer able to reinforce the stakeholders’ engagement toward the creation of sustainable and competitive places. In the purpose of requalification and regeneration of rural places, the integration of embedded governance perspective with the outside-in marketing perspective becomes vital to assure an interactive value co-creation process.

The recent evolution of Service Dominant Logic, contaminated with the Normann approach “(2001)”, reframes and reconfigures the value in the context “(Michel et al., 2008; Vargo and Lusch, 2008; Chandler and Vargo, 2011)”. Reinforcing the first argumentations of Service Dominant Logic “(Vargo and Lusch, 2004)” in the theoretical framework of interactive service economy “(Grönroos, 2006; Gummesson 2006)”, it proposes important implications and future research avenues for the place marketing theoretical framework “(Warnaby, 2009)”. According to the conceptualization of place as “service system” “(Maglio and Spohrer, 2008; Warnaby, 2009)”, the four premises (out of ten) of the Service-Dominant Logic (Table 1) which Vargo “(2009)” identified as core foundational premises, are applied to

investigate a possible way for rural destination building framed within the dynamic process of joint value creation of different stakeholders.

Table 1 - Characteristics of the Service-Dominant Logic and the foundational premises

Distinguishing factors	Service-centred dominant logic characteristics/ Foundational premises (FPs)
Primary unit of exchange	<p>People exchange to acquire benefits (e.g. knowledge and skills) accruing from specialized competences or services. Knowledge and skills are operant resources.</p> <p>FP 1 <i>Service is the fundamental basis of exchange</i> FP 2 <i>Indirect exchange masks the fundamental basis of exchange</i></p>
Role of goods	<p>Physical goods are transmitters of operant resources; they are 'intermediate' products that are used by other operant resources (customers) as appliances in value-creation processes.</p> <p>FP 3 <i>Goods are a distribution mechanism for service provision</i> FP 4 <i>Operant resources are the fundamental source of competitive advantage</i> FP 5 <i>All economies are service economies</i></p>
Role of customer	<p>Customer is a co-producer of service. Marketing is the process of doing things in interaction with the customer.</p> <p>FP 6 <i>The customer is always a co-creator of value</i></p>
Determination and meaning of value	<p>Value is perceived and determined by the customer on the basis of 'value in use', resulting from the beneficial application of operant resources. Firms can only make 'value propositions'.</p> <p>FP 7 <i>The enterprise cannot deliver value, but only offer value propositions</i></p>
Firm–customer interaction	<p>Customer is primarily an operant resource. Customers are active participants in relational exchanges and co-production.</p> <p>FP 8 <i>A service-centred view is inherently customer-oriented and relational</i> FP 9 <i>All social and economic actors are resource integrators</i> FP 10 <i>Value is always uniquely and phenomenologically determined by the beneficiary</i></p>
Source of economic growth	<p>Wealth is obtained through the application and exchange of specialized knowledge and skills. It represents the right to the future use of operant resources.</p>

Source: Adaptation of Warnaby “(2009)” from Vargo and Lusch “(2004 and 2008)”

- Foundational premises 1: Service is the fundamental basis of exchange.

The holistic ‘place product’ expression, both of the relative importance of the constituent elements (represented by different typologies of resources and stakeholders) and the value-in-use of customers, derived from specific and unique combination of elements “(Warnaby, 2009)”. This holistic nature poses numerous problems of stakeholders’ coordination and sustainable development, in the destinations building process of rural marginal areas. Local

stakeholders awareness, engagement, sharing and responsibility become the key factors to create a premise for the competitive service system able to satisfy constantly consumers and others stakeholders. Shared territorial strategy and stakeholders engagement must to be constructed by constant investment on social capital and embedded governance underpinned for the Coexistence Strategy Design “(Go and Trunfio, 2011a)”. In the case of the rural marginal areas of Trentino, the Task Forces are an example of how, institutional actors, businesses, education and community were engaged within a destination governance and knowledge platform structure aimed at creating customer-oriented sustainable project.

- Foundational premises 6: The Customer is always a Co-Creator of value.

The paradigm shift from a tourism production orientation to a relationship orientation leads to a new archetype of territory where external and internal stakeholders coexist and create dynamically bundles of potential service “(Penrose, 1959)”. The place consumer, being also place/product producer, participates directly into the value co-creation process inventing new services and influencing the place identity/image. In the case of emerging destinations, as rural marginal areas of Trentino, a coherent marketing strategy based on the effective consumer segmentation represented an important premise for the identity/image building and the integration between internal and external stakeholders conditions to create sustainable development without destroy place resources. Accordingly to the achievement of a sustainable tourism, the new tourist experiences/products developed by the rural villages aimed to meet the main motivations of segments of sustainable demand which combine leisure with landscape, learning, self-improvement and the limited use of place resources as a result of an increased social and environmental consciousness of the impact of tourism on the place “(Franch et al., 2008)”.

- Foundational premises 9: All social and economic actors are resource integrators.

Warnaby “(2009)” observes that the potential diversity of local actors involved in the place strategy and marketing requires their coordination and the establishment of integration mechanisms presented in the network logic. The inclusion of social actors in the resource integration process presents an important stage to engage the community in place product creation. In the case of rural villages of Trentino, local communities changed role – from passive to active – becoming an actor of the network of place embedded change agents and taking part in the value co-creation process by abandoning the marginalization and closing conditions and improving the three social capital dimensions (structural, cognitive and relational). The competitive advantage creation and its maintenance in dynamic perspective imply first of all deep investments on social capital and a constant internal and external stakeholders engagement to allow place strategy to create a service system.

- Foundational premises 10: Value is always uniquely and phenomenologically determined by the beneficiary.

The place branding building allows to integrate the traditional promotional and marketing activities with the image construction process coherent with the place identity and the value proposition. The rural marginal areas can be positioned on the system project quadrant of the place branding matrix “(Go and Trunfio, 2012)”. It corresponds to a governance created by a political-institutional top-down approach which supports development projects and allocate financial resources. The presence of governance and public investments do not imply both the actors’ involvement based on legitimation and collaboration and, consequently, local development and destination competitiveness. In such cases, isolated public investments on communication, untied from a shared destination strategy process, create only a visible logo which is not supported by a wide area of place branding strategy, internal and external communications “(Anholt, 2005)”. In the Trentino case, the establishment of the Vital Villages Association aims to network and brand Trentino’s rural villages with European rural villages involved in the European project, supporting their collaboration, knowledge sharing, and best practices exchange in a sustainable rural tourism domain. The brand Vital Villages aims to certify the respect of these quality standards promoting and qualifying the tourism offer and the value creation of rural villages on international targeted markets.

4. Conclusion, limits and implications for future research

The challenges of the knowledge-based era and service economy require a paradigmatic shift in place analysis and the modeling of territorial governance. The embedded governance model for the Coexistence Strategy design “(Go and Trunfio, 2011a)”, joined with the social capital “(Inkpen and Tsang, 2005)” can support the introduction of the Service-Dominant Logic for purposes of guiding the evolution of emerging destinations in a value co-creation perspective. Within the embedded governance context, destination decision making becomes a mechanism wherein stakeholders’ engagement contribute to shaping the internal conditions wherein the formation of four core foundational premises of the Service-Dominant Logic may be realized. In particular, the networking of different actors (institutional actors, businesses, education and community), if appropriately guided, may enhance the sustainable value co-creation process of a territory and on another, symbolic level be reinforced by the place brand building process.

Presently, two main reasons can be identified as causes for the stagnant tourism development low process of Trentino’s rural villages. First, stakeholders’ collaboration is all but absent. Second, consumers are for the most part unaware of the great holiday potential the rural village areas offer. Both points raise an important question: How may recent theoretical frameworks such as embedded governance, social capital and Service-Dominant Logic be applied to validate the co-evolution process in the context of emerging destinations?

The establishment of an appropriate governance system aided the villages to progress towards sustainable tourism development and establish a critical mass of local stakeholders, procedures and processes. In turn, the latter were needed for the support of effective decision making aimed at balancing economic, environmental and socio-cultural assets and interests.

The regeneration debate hinges on the question to what extent conventional marketing can contribute to achieving sustainable destination development in fragile European regions. The conventional marketing is controlled by metropolitan, boardroom decision making. The history of Fordism tells us that the resolutions of control problems in such value chains will function forever. Within the regeneration debate context the latter is considered obsolete because it fails to support the steps and procedures that are urgently needed to achieve a form of sustainable development. In contrast, the new dominant service logic advocates a type of marketing designed to lever territorial social capital. Its success hinges on the notion that socially supported networks comprised of institutional actors, businesses and community members whose passion for their region can lead to the commitment which is needed to challenge incumbents. In this paper, we have argued that networks embedded in social capital can possibly serve to express the ‘independence’ of the three villages within a ‘co-creative democracy’ model, which might afford them a certain degree of influence on other stakeholders, including distributors within the value chain. Moreover, we assume that, first, the application of this model in practice would afford the emergence of flexible specialization of the collaborating three villages vis-a-vis actors, including the government. So that, second, different types of coordination and control might arise in due course as the main bargaining characteristic; this, third, would afford the formation of co-existence within the value chain members for a transient period (at least until a next stage of co-evolution would be reached).

As discussed, the formation of co-existence within the value chain membership chain requires obviously the establishment of a critical mass of local stakeholders and the definition of an appropriate procedures for effective decision making in the governance system framework. But what concepts would sustain it over time to drive the regeneration process? Regeneration requires, first, the capability to lever the social-capital infrastructure which is needed to develop networks aimed at reinforcing value co-creative processes and supporting internal and external communications that are coherent, to the extent possible under prevailing conditions, with the value proposition of the place local identity. The place branding building process “(Go and Govers, 2009)” originates from an integrated strategy and sense of purpose. It serves, among others, to pool resources for time and cost saving purposes. Second, a proper embedded governance is needed to guide the stakeholders engagement in an analysis of issues, resources, possibilities and constraints for the purposes of yielding scenarios “(Tompkins et al., 2008)” that can lend their support to the place sustainable development. Third, the shift from the ‘inside-in’ perspective to the ‘outside-in’ perspective, which is more

in tune with the idea of attribute consumer centrality in relation to the marketing of emerging destinations.

In conclusion, this paper highlighted the trade-offs between preservation of local identity based on the rural tradition on the one hand and challenges encountered in the quest for the economic development based on advocating sustainable tourism. The possibility to conciliate this paradox requires deep investments on social capital and embedded governance for coexisting strategy design, knowledge and skill sharing and value co-creation. Future research should focus on appropriate methodologies to address the many issues that surround the sustainable development of destinations in early life cycle: How can the territorial governance guide the evolution of the three social capital dimensions (structural, cognitive and relational) in the rural area context so as to facilitate stakeholders' engagement? How can stakeholders, individually and collectively, make sense of the current position of their place to build a destination based on the outside-in perspective? How can they develop a shared with the consumers/tourists value co-creation process in glocal networks?

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