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Integrating Role of Non-profit Organizations (NPOs) in Rural Tourism Development: evidence from Chiba, Japan

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Abstract

Operators of rural tourism face various difficulties that hamper development of their activities. This paper explored the roles that NPOs play in the development of rural tourism to help operators counter such difficulties. For this purpose, the author firstly presented a conceptual framework from the perspective of institutional economics that explains why development of a rural tourism activity is often slow. It was revealed that the high marginal cost of acquiring skills in local resource management should be reduced to counter that slow development. Secondly, the author empirically evaluated the significance of NPOs through a case study in Chiba, Japan, that works to horizontally integrate stakeholders. This type of NPO provides services to ease difficulties encountered by operators by network building among stakeholders, providing training opportunities, negotiating with travel agencies, and assisting in program development in which many other stakeholders are not always proficient. This type of NPO can reduce the marginal cost of local resource management, which eventually leads to the development of rural tourism. Thus, it is expected that roles of this type of NPO will increase in the future. Partnerships with NPOs will be important in the design of policy measures for rural tourism.

Keywords: Non-profit organization, institutional economics, rural tourism, network, social capital

JEL classification: L31, P31, Q26, D02, D62

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Introduction

Nonprofit organizations (NPOs) have been gaining recognition in many parts of society. As civil society progresses, areas where this kind of body run by a group of self-motivated citizens will expand to become involved in various local issues. NPOs are expected to play a role in tourism development in rural areas as well to address many challenges that specifically exist in rural areas. Traditionally, rural tourism has been supposed to be performed by farmers or groups of farmers. Nevertheless, farmers often face various constraints in the management of rural tourism amid the rapidly aging and depopulated agrarian communities due to the shortage of capital, skills, marketing knowledge, etc. (Ohe, 2010a, 2014). Because of these constraints, development of rural tourism often remains slow in quite a few cases. Rural tourism in Japan, the study area of this paper, is not an exception.

To address this issue, which has not been examined fully from an economic point of view, this paper takes a two-step approach, first conceptually and then empirically. Firstly, this paper explores conceptually from an institutional economic framework why these constraints often stifle the expansion of rural tourism activity and gives a clue to address this problem by taking into account how support measures can be effectively undertaken. Secondly, the author empirically investigates through a case study how NPOs can contribute to narrowing gaps generated in the field that other local stakeholders such as local governments and travel agencies are not able to fill. To the author's knowledge, research on the relationship between NPOs and rural tourism has not been conducted extensively, yet. In this context, this paper explores the roles of NPOs in the area of rural tourism by especially focussing on a type of NPO that generates a network that horizontally connects various local stakeholders in Chiba, Japan. Finally, policy implications for the development of rural tourism are presented by taking into account an emerging rural-urban partnership composed of self-motivated citizens.

Literature Review

As noted earlier, despite the growing expectations of NPOs addressing local issues, NPOs have not been extensively studied in the tourism research area. As far as the author knows, studies on NPOs have only been conducted in limited areas such as performance of sports organizations examined through a literature review (Winand et al., 2014) and relationship building through a website by content analysis (Uzunoglu and Kip, 2014).

This fact is in contrast to the case of non-government organizations (NGOs) that have been studied mainly in the context of poverty alleviation through tourism in developing countries (Barnett, 2008; Kennedy and Dorman, 2009) or of the relationship between environmental concerns and tourism (Barkin and Bouchez, 2002; Lovelock, 2005) in both developed and developing countries. Meanwhile, destination management organizations (DMOs) for tourism have been studied extensively from various perspectives. Especially, issues of success in governance of DMOs have been examined by qualitative approaches from stakeholders' perspectives (Bornhorst et al., 2010), from the perspective of corporate governance (Beritelli et al., 2007; Pechlaner et al., 2012), and from a statistical approach with

a new mediation analysis (Volgger and Pechlaner, 2014). Beritelli and Laesser (2014) focussed on the governance issue by examination of the composition of the board of directors of DMOs. d'Angella and Go (2009) focussed on collaborative tourism marketing practices, mainly the relationship between the DMO and tourism firms. In connection with DMOs and rural tourism, Komppula (2014) investigated the role of entrepreneurs in enhancing the competitiveness of rural tourism destinations and pointed out the importance of collaboration between small rural tourism entrepreneurs. Beritelli and Bieger (2014) presented a concept of destination leadership as a wider context of destination management. The issues of leadership is closely connected with the NPO activities that this paper studies.

In research on destination marketing organizations, also designated as DMOs, Pike et al. (2011) quantitatively investigated the visitor relationship orientation of DMOs by structural equation modeling and Pike and Page (2014) conducted a narrative analysis of a large amount of destination marketing literature. Lemmetyinen (2010) conducted comparative case studies on three DMOs in Finland by focussing on the role of destination networks. Nevertheless, none of these studies shed light on the roles of NPOs.

From an economic point of view, NPOs have not been explored in relationship to tourism and hospitality economics (Tribe, 1995; Cullen, 1997; Matias et al., 2009, 2011; Stabler et al, 2010; Vanhove, 2011) with the exception of Candela and Figini (2012). Although Candela and Figini (2012) mentioned that non-profit and voluntary organizations can fill in informational asymmetries, what is discussed are labour unions. Crouch and Ritchie (2006) only slightly touched upon DMOs in the context of destination competitiveness. Thus, it is safe to say that NPOs have not been examined either conceptually or empirically in tourism economics. To summarize, an economic approach in examining NPOs that are involved in rural tourism has not been undertaken, which justifies the study described in this paper.

Conceptual Framework: an Approach by Institutional Economics

Any rural tourism stakeholder no matter the type, i.e., farmers or groups of farmers, faces various resource constraints for development of the activity. Even if stakeholders have abundant local resources on the farm and nearby, it is often difficult for these operators to find a way to successfully mobilize and manage those resources for rural tourism due to constraints such as a shortage of capital and/or lack of skills for hospitality, marketing and attractive program development under circumstances of aging and the decreasing population in rural communities. Since these common constraints that exist in rural areas are hard to eliminate, stakeholders often need support from outside.

Keeping these practical questions in mind and supposing that other conditions are constant, this paper focusses on capacity building for local resource management among rural tourism operators. This is because the largest issue for those farmers or groups of farmers is the lack of skills for engaging in activities related to rural tourism. We simply call these skills “local resource management skills”. It is costly for operators to acquire these skills. The cost includes not only actual monetary payment but also opportunity costs and psychological costs.

Figure 1 depicts two competing cost factors by incorporating the perspective of institutional economics. The right upward curve, NK , demonstrates that those operators who conduct rural tourism face an increasing cost when they try to acquire the necessary skills for the development of a tourism activity within their home community. When the activity becomes larger and larger, it becomes more and more difficult to acquire these skills even if operators can manage to cope with these constraints imposed by management skills when the activity is conducted on a small scale. This is because the larger the activity becomes, the more difficult it is for operators to acquire skills that require more sophistication in the quality and quantity of service and products, and also for services and products to become better integrated with other parts of on-farm activity than those necessary at a small activity level (Ohe, 2010b). This is because intangible rural tourism is a new activity for farmers unlike traditional tangible farm production. This nature of a high cost to operators hampers the development of rural tourism and keeps the rural tourism activities at a small level.

At the same time, however, operators of rural tourism can accumulate business experience as the activity grows, which will lead to reduced costs, which is called here the “experience effect” and is depicted as the right downward curve, EP , in Figure 1. This cost curve means that there is a cost for utilizing the acquired skills that have been accumulated through business experiences in rural tourism. As the activity becomes larger, the more experienced are the operators. Thus, it is apparent that the experience effect reduces this cost so that this cost curve has a right downward slope.

Thus, it is considered that there are two vectors that work opposite each other: the one for an increase in cost and the other for a decrease in cost. In total, the vertical sum of the two costs presents a U shape, TC curve, which has the minimum point at e . The operator will conduct rural tourism at the level of this minimum point e under the assumption that operators behave rationally.

From the fact that actual rural tourism has remained at a low level in Japan, it is supposed that the minimum point of the TC curve is located more leftward than the point m where the two cost curves meet. Now, let me explore the conditions as to how the minimum point is determined and how to improve the situation toward a more rightward minimum point. The total cost TC is the sum of the two costs, which is expressed in the equation (1).

$$TC(y) = NK(y) + EP(y) \quad (1)$$

where y =activity level of rural tourism

The minimum point of TC is given as the first derivative of equation (1) equal to zero as indicated as equation (2).

$$dTC/dy = dNK/dy + dEP/dy = 0 \quad (2)$$

Thus,

$$dNK/dy = -dEP/dy \quad (3)$$

dNK/dy means the tangential slope of the NK curve, which represents the marginal cost of the NK curve, newly acquiring skills. Likewise, dEP/dy means the tangential slope of the EP curve and the marginal cost of the EP curve, utilizing acquired skills. Equation (3) indicates that both of the marginal costs are identical where TC is the minimum. dEP/dy has a negative sign because that marginal cost is negative due to its right downward slope, which is illustrated by the fact that the two slopes of the tangential lines are identical when the minus sign is considered in equation (3).

Thus, the minimum point of TC is determined by the magnitude of which the marginal cost is larger than the other.

$$NK(y) = EP(y) \quad (4)$$

At point m where the two curves meet as expressed in equation (4), suppose the marginal cost of $NK(y)$ is more rapidly increasing than the decreasing marginal cost of $EP(y)$, which is expressed as (5). Practically, this is true because it is more difficult to obtain new skills than to utilize already acquired skills when the activity level becomes greater.

$$d^2NK/dy^2 > -d^2EP/dy^2 \quad (5)$$

In this case, the minimum point e will be at the left side of point m as illustrated in Figure 1 because there is no prospect to have identical slopes between NK and EP curves in the right side of the meeting point m due to widening of the gap in the slopes between the two curves. That means that the optimal activity level remains small. By more rapidly increasing the NK cost, the optimal activity level will be smaller. This case is exactly as happens in rural Japan. At this point, an operator utilizes mostly already acquired skills rather than trying to acquire new skills, which is exactly in equilibrium at a low activity level that does not need higher management skills.

In contrast, suppose

$$d^2NK/dy^2 < -d^2EP/dy^2 \quad (6)$$

Then, the minimum point will be at the right side of the meeting point of the two curves. This fact implies that the optimal activity level will be larger than the first case in (5). The more rapidly the EP cost decreases, the larger will be the optimal activity, which is favourable for the development of rural tourism. Nevertheless, this does not happen very often unless there is support from outside because the marginal cost of NK rapidly increases.

In short, the above framework explains how the optimal activity level is determined and what the detrimental factors are, which clarifies what factors should be improved to increase the activity level. The reduction in or at least slowing of increases in the NK cost is such an issue. At the same time, it is also important to accelerate the decreasing rate of the marginal cost of utilizing acquired skills, which means enhancement of the experience effect. The author

considers that the following type of NPO can play a crucial role in these purposes and therefore an empirical study is conducted below.

The Chiba Nature School as a Network-Integrating NPO: a Case Study

This paper focusses on the Chiba Nature School, CNS hereafter, which is an NPO established voluntarily in 2003 with local government officials, scholars and company employees to create opportunities to provide a sense of wonder through nature experiences for those children and adults who these days rarely have that kind of experience by mobilizing underutilized local resources including the rural heritage and the elderly in rural areas who are well experienced in farm skills that are outdated now but have a high educational value (Ohe, 2008). As of March 2014, CNS has grown from its initial 38 members to 51 member NPOs and farmers, groups of farmers, a local bus company, a third sector enterprise, association of inns, etc. CNS connects these groups and individuals into a horizontal network of likeminded individuals and various types of organizations implementing tourism activity in rural Chiba. A member of CNS is called a member school no matter what job the member does as far being involved in activities related to rural and nature experiences. The annual membership fee is 10,000 Yen (nearly equal to 100 US dollars as of April in 2014). These members conduct rural tourism, provide nature experience services and environmental educational services, and work to preserve rural resources and heritage. Half of the 20 CNS board members are from representatives of member schools to ensure a horizontal relationship with member schools.

The CNS conducts supporting activities for member schools and also directly provides nature experience services to participants, mainly youngsters. In this respect, a distinctive feature of CNS that differentiates it from ordinary NPOs is that CNS plays a role of integrating its members through networking. Otherwise, these member schools would act in isolation without any support or any network that works together. Thus, CNS builds and integrates a network of stakeholders of rural tourism in Chiba.

Now let me characterize the role of this network-integrating NPO in comparison with other stakeholders of rural tourism (Table 1). Stakeholders shown here are travel agencies, farmers, NPOs, local associations for tourism promotion, local public sector and a network-integrating NPO. The author evaluated the six areas of activity and examined which areas were the strong and weak points of each stakeholder. In Table 1, III indicates an area in which a stakeholder is proficient while I indicates an area in which a stakeholder is not proficient. II means neither proficiency nor lack of proficiency. Evaluation was done from a comparative point of view among stakeholders. Travel agencies have relatively strong financial capability and the ability to attract guests among stakeholders while they lack the capability that raises leaders of rural tourism and designs support measures. In contrast, farmers and ordinary NPOs are inferior in areas of financial capability and the ability to attract guests. The public sector, i.e., local governments, have financial capability to some extent and are capable of designing support measures. Local governments are, however, not good at how to actually attract tourists and to devise tourism service programs, at least in Chiba. Thus, although it is safe to say that

local stakeholders should be involved in the areas in which each has proficiency, not every stakeholder is proficient in areas of program development, network building and raising leaders except for network-integrating NPOs despite the significance of these aspects for the development of rural tourism. These factors are common constraints for rural tourism operators in every part of the world. Under these constraints, what CNS is doing is network building among members, leadership training, program development, and marketing activity as a representative of member operators of rural tourism. It also provides price negotiations with travel agencies that are proficient at attracting tourists. Thanks to the existence of CNS, those operators who do not have sufficient bargaining capability can avoid unfavourable price negotiations with travel agencies that are well experienced in price bargaining but are able to provide tourists to these operators. In this sense the CNS has a multi-faceted role: a mediator, integrator and trainer, program developer and provider of nature and rural experience services. At the same time, CNS does not have a license to conduct a tourism business like a travel agency to avoid competition with tourism business firms because CNS needs a partnership with the tourism sector horizontally.

With respect to its aspect as a trainer, since 2003 CNS has been conducting a training program for operators of rural tourism or those who want to be operators, which is termed 'the training school for rural-tourism operators'. Although this program is financed by the prefecture of Chiba, CNS organizes the whole program. The author also has been involved in this program as the head of this training school. The number of participants reached 184 people since 2006. The group of lecturers is composed of nature experience trainers in CNS, member bodies of CNS, ex-trainees in this program, officers of the prefecture and scholars. Thus, this program is a collaboration among people in various fields who have knowledge and experience in rural tourism and can contribute to building a human network for rural tourism, which is difficult to build when conducting rural tourism alone. We can say that CNS integrates, not vertically but horizontally, these various people to work together for the same purpose. No other stakeholders can do this job better than CNS.

Another feature of CNS is that it was not organized by people in rural areas but by people in an urban area to connect the two areas. It has been supposed that rural tourism is conducted by people in rural areas for the benefit of the rural areas and that urban residents are only expected to be visitors to rural areas. The CNS was born in an urban area and works for a rural area. Thus, the activities of CNS indicate that the urban side can play a distinctive role in the development of rural tourism. Self-motivated semi-public bodies will have an important role in rural tourism especially in the expansion of a network that generates an opportunity to work together for people concerned who are outside of the traditional local community. This network-based activity enables operators to ease their own constraints by taking advantage of knowledge and experiences that are available through the network.

Based on the above examination of CNS, now going back to the conceptual framework, in order for the optimal cost minimum point to move rightward, it is necessary to not only shift downward the cost curves, but also to reduce the marginal cost of capability building for local resource management, which means reducing the slopes of the cost curves. To achieve this,

CNS makes it easy for operators to acquire new skills and form networks that enable them to take advantage of knowledge and experiences of others. In this context, building resource management capability has two aspects, which are the acquisition of new skills and enhancement of the experience effect for the development of rural tourism. It is safe to say that CNS works as a rightward shifter of the cost minimum point, which is the role of a type of NPO that integrates a network horizontally. Figure 2 depicts this case, where the activity level increases O_r from O_s and the cost becomes lower from Oh to O_j due to the shift down of the aggregated cost curve from TC_0 to TC_1 . In this case the marginal costs of EP_1 and NK_1 are reduced from those of EPn_0 and NK_0 in Figure 1.

Like other NPOs, however, CNS is not immune to the common issues observed in NPOs. It is often difficult to achieve a balance between being economically viable and continuing to provide high quality service to member schools amid limited capital and human resources. Needs of member schools vary from one area to another and building an effective network among a broad range of member schools is always time consuming work. The CNS continuously faces new challenges. At the same time, the roles that this kind of NPO can play and must play are expanding. What CNS is looking at now is an aging society because Japan is becoming an aged society with the greatest speed in the world, especially in rural areas. The CNS has now launched the 'Senior Nature College' targeted at senior citizens in urban areas. This college provides an opportunity for those senior citizens who are willing to take part in rural revitalization projects such as a nature experience, preservation of the rural heritage and rural tourism activities. Consequently, we can say that the contribution by CNS has now become indispensable in the rural Chiba area and that this approach is applicable to other parts of the world that have basically the identical issues in their rural areas.

Conclusion

Since operators of rural tourism face various constraints that are difficult to solve by themselves, it is quite often that these constraints hamper the development of rural tourism despite government support measures. This is exactly what has been happening in rural Japan. To address this issue, this paper conceptually and empirically explored the roles of an NPO that creates and horizontally integrates a network of stakeholders who are involved in rural tourism although that kind of NPO is a body that has not originally existed in the local community. The main points clarified in this study are as follows.

The author presents a conceptual framework that explains the slow development of rural tourism often observed from the perspective of institutional economics. The framework considers an increasing cost for newly acquiring the capability for local resource management and a decreasing cost for utilizing accumulated experiences in rural tourism. Under the assumption of minimizing the sum of the two costs, this framework clarifies that the increasing marginal cost of acquiring capability in local resource management hampers the enlargement of rural tourism so that reducing this marginal cost is crucial for the expansion of rural tourism.

Then, this paper presented a case study of an NPO that locally acts in Chiba, Japan, as a network builder, skills trainer and program developer and fills needs in areas in which other stakeholders of rural tourism are not proficient by connecting those people who are involved in or interested in rural tourism and related activities between the rural and urban sides. These activities can reduce the marginal cost of local resource management, which eventually leads to the expansion of rural tourism. The roles that this type of NPO established in urban areas can play are increasing in rural areas where aging and depopulation have deeply progressed. In this context, local policy makers can take more effective policy measures in collaboration with this type of NPO for the development of rural tourism. This point should be kept in mind for design of rural tourism policy.

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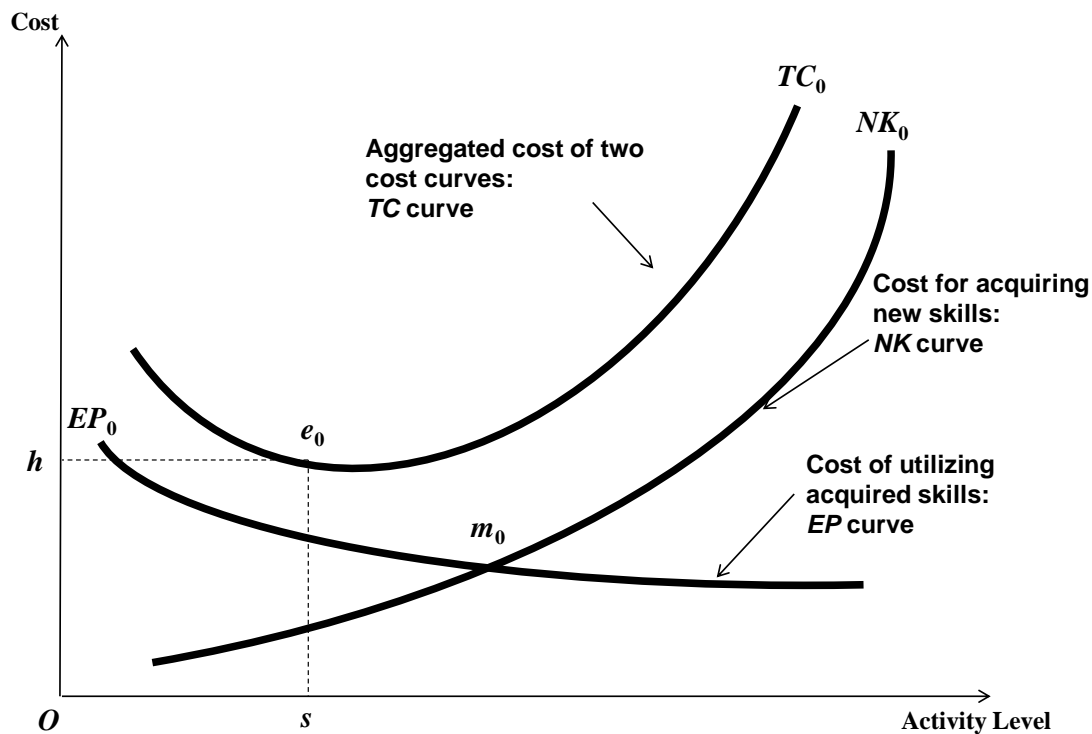


Figure 1 . Cost curves of local resource management for rural tourism (1)

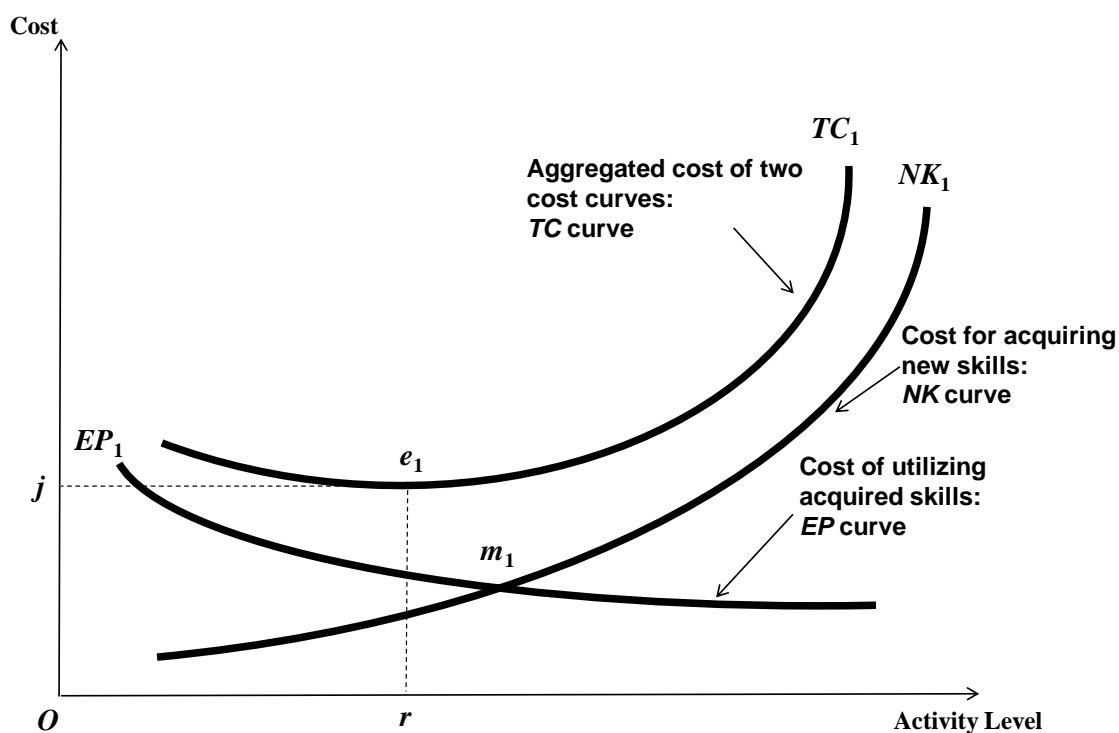


Figure 2. Cost curves of local resource management for rural tourism (2)

Table 1. Stakeholders of rural tourism and complementary role of a network-integrating NPO

Stakeholder	Travel agency	Farmer	Local tourism association	Ordinary NPO	Chiba Nature School	Prefecture
Type of stakeholder	Firm	Individual	Association	NPO	Network-integrating NPO	Policy maker
Financial capability	III	I	II	I	I	III
Guest-attracting capability	III	I	II	II	II	I
Development of program	II	II	II	II	III	I
Capability of networking	II	II	II	II	III	II
Capability to raise leader	I	II	II	II	III	II
Policy design	I	I	I	I	II	III
Sector	Private	Private	Semi-public	Semi-public	Semi-public	Public

Notes: III means being proficient in that area while I means not being proficient. II means neither 'proficient' nor 'not proficient'.