

The Roles of Government as Stakeholder in Developing Destination in Surabaya, Indonesia

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Abstract

Tourism is a fast growing industry around the globe, including in Indonesia. Report published by UNWTO in 2015, shows that the industry contributes 9 percent of the world GDP. Recently, Indonesia is taking more serious action in developing tourism industry in the country. Tourism has been set up as the biggest money spinner for Indonesian foreign revenue in the future. The goal of the Indonesian government is to achieve more than 20 million foreign tourists by 2019. Many Indonesian cities transform themselves to be a place of doing business as well as a place to visit. As the second biggest city in Indonesia, Surabaya plays important role as the hub of development for eastern part of the country. Surabaya has grown from manufacture based city into service and trade city. Tourism destination development becomes one of the important issues in Surabaya. Since 2005, the use of city branding “Sparkling Surabaya”, has made the city become one of tourist destinations in East Java region. Destination development needs constant and effective support by the stakeholders. The local government has an important role in destination development. This study aims to identify the role of the government in the process of developing the destination in Surabaya. This study is done qualitatively by using in depth interview with the executives body that represented by Surabaya Tourism Office, as the primary data. The strategy and the action plan of the government are also explored in the study. The result shows that Surabaya government has an important role in destination development; by working closely with other stakeholders, such as private business and local community. This study can be used by the government as the reflection of their strategy in developing the destination. Moreover, all of the executives of Surabaya government need to have the same objectives and perspective in developing Surabaya as tourist destination in Indonesia.

Keywords: Surabaya, Government, Roles, Destination, Development

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INTRODUCTION

Destination development as a part of tourism industry is becoming a global issue. Recently, the tourism industry itself has experienced a rapid development around the world. The industry growth rate is increasing every year. As seen in the report of UNWTO (2014), international tourist arrival has reached a total of 1,135 million in 2014. It also shows that 4.7 per cent overall growth is the fifth consecutive year of above average since 2009 up to 2015. The condition contributes to global economic recovery. By region, the Americas (+7%) and Asia and the Pacific (+5%) registered the strongest growth, while Europe (+4%), Middle East (+4%) and Africa (+2%) has experienced more modest pace. By sub region, North America (+8%) has the best results, followed by North-East Asia, South Asia, Southern and Mediterranean Europe, Northern Europe and the Caribbean (<http://media.unwto.org>). ASEAN as a part of Asia Pacific region has experienced consistent development. Within the region, there are many emerging tourist destination in each country, including Indonesia. As the biggest country in the ASEAN region, Indonesia tourism growth can bring an impact to the region.

Tourism industry in Indonesia has started to get more attention by the government. The government put tourism as one of the biggest foreign revenues in the future. Several programs have been launched, both online and offline, to promote Indonesia to the world. Indonesia has two tourism branding, namely “Wonderful

Indonesia” for foreign tourists and “Pesona Indonesia” for domestic tourists. The branding has increased the awareness about tourism in Indonesia. Indonesian Statistic Bureau (2015) reports that the number of domestics tourist has reached 250 million, meanwhile the international tourist arrival reached 10,4 million in 2015. Thus, the government introduced other destinations, besides Bali, as international tourist destination. At present (2017) there are ten priority destinations that have been developed throughout Indonesia region, including Bromo Mountain in East Java.

Surabaya as the capital city of East Java has directly and indirectly been affected by the growth of visitors to Bromo. The location of Surabaya is vital as the main entry point to reach Bromo by plane. Surabaya has the biggest airport in the area capable of receiving international flights from several parts of the world. In the past ten years, Surabaya itself has changed from Industrial base city into service and trade base city (Anshory & Satrya, 2008). There are many tourist attractions in the city; and in 2005, the city launched its branding, with a slogan “Sparkling Surabaya”. This brand has been consistently used till recently (Puspita, 2008).

In the context of destination development, there are several stakeholders who are involved in the process, such as government, private business, local community and the visitors. Each of the stakeholders has different roles in the development of Surabaya. In this case, the participation of stakeholder in destination

development is crucial to achieve the destination objectives. In the context of Surabaya, destination development has been initiated and supported by several stakeholders. These stakeholders have been working together to develop tourism in the city. However, government as the regulator of the city is expected to lead the development process. Therefore, the role of government as stakeholder is crucial in developing the city as a tourist.

Currently, as reported by Surabaya Tourism Statistic (2015), the city revenue is mostly coming from the services and trade sectors. This makes tourism in the city important and for this reason, there are plans, strategies and actions that have been set up and executed by the Surabaya government to develop tourism in the city. In the context of local government, there are two important parties that play crucial role, namely the executive and the legislative. Both parties need to have the same understanding and vision about the development plans, otherwise the development will not work properly.

Surabaya government, as one of the important stakeholders, needs to have clear objectives to develop the city. All aspects of government, especially Surabaya Tourism Office (STO) should work closely together. In this regards, the STO as the executive agency should be able to execute the plan. A common understanding of community vision and goals for the future are needed among the officers in STO. Therefore, this study aims to pin point the efforts that have been done by the government bodies, especially the

STO to develop tourism destination in the city.

LITERATURE REVIEW

Studies in the area of the stakeholders and tourism development have been done by several researchers in the past years. There are a number of academic papers which examine the role of stakeholders in tourism development, as stated in Nogueira and Pinho (2015). In this case, destination development is a process that happens in certain location, therefore it is ongoing phases that is affected by many factors. Therefore, to provide a clear conceptual base for this research, this chapter elaborates the concept and the definition of the stakeholder, government as stakeholders and destination development.

Stakeholder Concept

The concept of stakeholder raises research interest in regulators, policymakers, business and the media non-governmental organizations (NGOs). As observed by Donaldson and Preston (1995: 65), more than 100 publications concerned with the stakeholder concept have appeared in the literature pointing to a growing interest in the stakeholder. More than 100,000 references, some published in prominent journals are devoted to the elaboration of the stakeholder concept. The debate about the topic is also happening between those who promote the corporation with the role of top managers and those who use the stockholder model based on ownership.

As mentioned by Friedman (1962:74), the objective of the corporation is to take full advantage of stockholder value expressed either in maximizing growth, getting long-run profits or dividends. The arguments also state that business held responsibilities to the community, which are best expressed in terms of the stakeholder concept.

Definition of Stakeholders

The early definition of stakeholders is credited to an internal memo produced in 1963 by the Stanford Research Institute as mentioned by Freeman (1984: 31). This group introduces the early form to define stakeholder. It states that a stakeholder consists of group of people who share the same objectives in the organization, as described by Freeman and Reed (1983) and also Bowie (1988). They argue that stakeholders are group of people who share the same goals to achieve organizational success. In subsequent discussion, Freeman (1984: 46) states that in less academic circles, stakeholder is “any group or individual who can affect or is affected by the achievement of the organization’s objectives”. This definition is considered more balanced and much broader than the earlier definition by the Stanford Research Institute. The definition stresses more on the stakeholder relationship rather than the more restrictive ‘achievement of organization objectives. This makes any groups and individual who are affected by unintentional consequences of the organization or by activities that are not related to organization objectives at all, to be included as stakeholders.

Another important definition of stakeholders has been suggested by Starik (1994). In this case, he differentiates a contracted definition by taking the intersection of a Freeman definition and Carroll’s definition (1993: 22), ‘individuals or groups with which business interacts who have a ‘stake’, or vested interest, in the firm’. He argues that the resulting narrow definition would limit stakeholders to those who are making their actual stakes known who actually influence the organization. Starik (1994: 90) has brought the definition of stakeholders to broader spectrum that can be applied in other areas.

Tourism Stakeholder

Tourism stakeholder may come from social, political and business elements. As mentioned by Swarboorke (2001), the stakeholders in tourism can be divided into five main categories, namely governments, tourists, host communities, tourism business and other sectors. Each group of stakeholder is a critical component of the tourism destination, due to the fact that the initiatives and thoughts of stakeholders are external to the strategic planning and management processes, as stated in Dill (1975). Moreover, as mentioned by Borgatti & Foster (2003); Timur & Getz (2008) and Cooper *et al.* (2009) the stakeholder in tourism may vary based on the geographical location, issues and objectives. According to O’Donnell *et al.* (2001), the content of network relationships is associated with structure that contributes for small tourism business. This is used to overcome shortage of resources and competencies.

Hence, the firm networking with relevant stakeholders is crucial to revitalize their resources, structures and processes.

Government as Tourism Stakeholder

Between several tourism stakeholders, there is one group of stakeholder that has a significant role in setting up the rules as well as the objectives of development. This group of stakeholder is the local government. As stated by Grabher (2006), in terms of localities, a formal networking as governance involves participation of government officials. It is argued that the governance networks comprise a broad element from authoritative to distributed forms of hierarchy. At the local level the regional or local authority has a role similar to that of the central government and in many ways a more comprehensive and important one. Indeed, in the early days of mass travel stimulated by the growth of the railway network, public sector intervention in tourism was solely at the local level.

The government has wide range of important roles in setting up regulations related to tourism activities in the city; from tourism business permit up to marketing activities promoting tourism. The government role includes identifying and designating locations as official tourist sites and developing the infrastructure required to make them tourist-accessible, while preserving their authenticity (Dabphet, 2013). These initiatives include rehabilitation, conservation and revitalization of designated sites, contracting with

international tourist and archeological institutions, construction and development of site perimeters, and establishment of formal educational and training programs.

Politically, government is divided into three main functions, namely executive, legislative and judiciary. Similar to other parts of Indonesia, the local government in Surabaya mainly consists of two official bodies, which are executives and legislatures. A simple comprehensive definition of executive government body is the organ that exercises authority in and holds responsibility for the governance of a state. In this regards, the executive executes and enforces law. Meanwhile, the legislatures are the governing body that creates regulation to authorize, to outlaw, to provide (funds), to sanction, to grant, to declare or to restrict. It may be contrasted with a non-legislative act which is adopted by an executive or administrative body under the authority of a legislative act or for implementing a legislative act. In the context of Surabaya tourism development, the government is represented by Surabaya Tourism Office (STO), which is in the executive side governance.

Destination Development

Over the years, research on the stakeholders has focused on some aspects of the destination. This mostly seen from the perspective of marketing destination as stated in Bonnett (1982) and King and Hyde, (1989). Writers point out that the role of stakeholders in marketing the destination is an

important part of the development. Moreover, recent works by Walker & Enjeti, (1998); Kotler, Bowen & Makens (1999) and Johnson (2000) have included destination development as one of the discussion topics in their writings. In tourism destination development, an integrated marketing strategy should be performed consistently. It should address planning and management issues, as stated by Pearce (1989) and Hall (1991) which involves all the stakeholders who have direct relation with the destination.

In destination development, there are several indicators, namely economics, environmental and social that can be used to monitor the process. As stated by Hall (1997) and Burns (1999), the economic indicators can be seen through the increase of the number of business, the establishment of infrastructure and the increase of market share. As argued by Farrell & McLellan, (1987); Craik (1991) and Carter & Beeton (2004), in terms of environmental and socio-cultural impacts, destination development leads to the sustainability of the environment, including culture preservation. This also involves the issues of carrying capacity to cater to the needs of visitors (Stankey & McCool, 1989). Furthermore, as stated in Butler (1990) and Williams & Gill (1999), destination development involves certain phases that have different conditions in them. The issue of destination development has been discussed using a multidisciplinary approach, as highlighted by Oh, Kim and Shin (2004) in their recent review of hospitality and tourism marketing

research. To understand the overall change of destination development, granted tourism is a complex multi-element phenomenon, the outcome is mostly couched in interdisciplinary perspectives (Carlsen, 1999). This opens the opportunities to understand tourism from many points of view. In order to understand the destination development, the most common concept that is used by most academics is the tourism destination lifecycle by Butler (1980).

To understand the stages of destination development, many publications are written based on Butler's model or are aimed at evaluating the model. It is argued that the original model was first introduced by Levitt (1965). The use of this model reveals the idea that, similar to human beings, products have a life cycle across development stage. As the rule a product goes through stages of market development, growth, maturity and decline. Some argue products have a limited life, therefore a product may need different marketing strategies in each stage. This model provides a useful heuristic framework for evaluating corporate performance and business strategy, which later developed to describe certain condition of development. In tourism context, the Butler's model is used to understand the destination development process that requires different approach and strategy in each stage.

METHODS

To gather data for this study, a qualitative research method is used for the primary data collection. On the

other hand, the secondary data is also collected through literature review on the subject. The primary data is collected via semi-structured, in-depth interviews with the head and the officers of Surabaya Tourism Office as the tourism authority in Surabaya. The total number of the informants are five, consisting of the Head of Surabaya Tourism Office, the Head of Destination Development Division of Surabaya Tourism Office, the Head of Promotion Division of Surabaya Tourism Office and two others officers from Destination Development Division who deal with tourist object operation. As mentioned by Ruhanen (2006), in-depth interviews are recorded, organized and explained based on the interview questions. Content analysis of the interviews transcripts was employed, with the constructs in the content analysis technique. The conceptual definitions on this research are formulated and examined consistently. The data gathered from the interview is analyzed and present narrative form.

The secondary data is collected by gathering any publications related with tourism development and activities in Surabaya, especially done by STO. The news from the media and government reports on tourism are used as the supporting data in this study. The data were sorted into the categories using key words. Thus, the thematic framework approach had been applied to the data sets (Berg, 2004). The comparative analysis was used to compare and contrast data and build upon existing knowledge currently in the field. The result is presented by

using logical order to address the main issue of the study.

DISCUSSION

Surabaya is the capital city of East Java Province. As the second biggest city in Indonesia, Surabaya is the hub of Eastern part of Indonesia. This city becomes very important in terms of economic, social and political influence in Indonesia. As stated by Anshory and Satrya (2008), Surabaya tourism development started to grow in 2005, when the mayor launched a tourism promotion body, called STPB (Surabaya Tourism Promotion Board). This city has changed from manufacture based city into services and trade based city. Surabaya city government started to pay more attention to tourism, as one of the driving factors of services and trade in the city. Consequently, city revenues from hotel and restaurant taxes increasing every year, contributing one of the biggest sources of income to the city. Based on STO reports in 2015, the number of local tourists reaches 9,606,838 and 575,266 for international tourist. This number is taken from the visitor reports complied from tourist attraction user estimates and hotel guest surveyed in Surabaya.

In developing tourism in Surabaya, the role of government is very crucial. The executive side, which is represented by STO has several plans and strategy to develop tourism. The department also has strategies to execute the plans. As mentioned by Gray (1989), the collaboration among the stakeholder can be used effectively to resolve conflict or advance shared

visions, where they recognize the potential advantages of working together. The plans and execution strategies of STO are part of the roles of the government to develop the city as tourist destination.

STO Plan

Based on the reports and interview with the head and staff of STO, the city has several development plans, namely revitalization of the old city areas, creating city tour package, enhancing tourism information and improving tourist infrastructures. Surabaya is the only city in Indonesia that has been recognized as the heroes city in Indonesia. This title has been awarded due to the fact there are many Indonesian heroes were born in the city and there was a heroic movement of Surabaya people during the Indonesian struggle in defending the independence. The big battle of Surabaya was recognized as one of the famous battles during World War II.

a. The Revitalization of Old City

In order to boost tourism development, STO as the executive bodies has set up several initiatives to revitalize the old city area. This area is located in the northern part of the city. This area is full of heritage buildings and cultural precincts. The area of *Jalan Rajawali*, *Jalan Veteran*, *Jembatan Merah*, and *Kembang Jepun*, is the site of the old city with Jayengrono Park as the central of area, in front of *Internatio building*. The park itself is the location of where the British general of World War II from the alien forces

was killed during the battle against Surabaya forces. As stated in Handinoto (1996), this old city area is also becoming a confluence of different culture, namely European, Chinese and Arab. Descendant of the three ethnics groups had mingled with the local people; this makes the city a plural host society.

Though the result of the revitalization is not yet to be seen, but the effort has been appreciated by the citizenry. The renovation of *Jayengrono Park* or *Taman Jayengrono*, to locals has become the showcase of the government's effort in restoring the areas. The renovation of the pedestrian spaces around the area has also been the focus of the city government. The buildings that have a historical and cultural value in the area were identified for the installation of heritage signages. The objective of this effort is to preserve and protect the heritage buildings from the rapid psychical developments taking place in the city.

b. Creation of City Tour Package

In order to boost the development of tourism in the city, Surabaya needs to have more variety products to offer to the tourists, both local and foreign tourist. In terms of tourism object, as reported by Surabaya Tourism Object Communication Forum, there are more than 40 potential tourist objects in Surabaya. However, STO has decided to focus on several tourist objects that are fully ready to accept tourist with supporting tourist facilities that meet basic standard of tourism; those tourism objects are House of *Sampoerna* Museum, *Ciputra*

Waterpark, The Submarine Monument, Surabaya Zoo, *Kayoon* Flower Market and Museum of *Bank Indonesia*.

As the hub of Eastern part of Indonesia, Surabaya also shows the culinary richness of Indonesia, especially East Java Province. There are many local delicacies that attract tourist experience the exotic and delicious taste, such as *Semanggi Suroboyo* and *Rujak Cingur*. Moreover, the effort to make tourists come and stay longer in Surabaya is done by working together with local business, from middle to upscale business. Surabaya is considered as a shopping destination; there are many products and services that can be found in Surabaya, from local brand to international brand.

In order to connect the tourist attraction, the culinary and shopping place, STO launched regular city tours on the bus. This service will take the tourist to visit the tourist attraction and shopping places along one route. Every day, there are different routes that are visited by this bus. This facility is provided by the STO for tourists visit to the city. The city tour product is called Culinary and Shopping Track (Surabaya Tourism Office, 2015). This package can be booked directly by tourist at Tourist Information Center (TIC) at *Balai Pemuda* building. The STO also work together with tour agents and hotel to promote this product. The following picture is the example of Shopping and Culinary Track by STO.



Figure 1. Surabaya Shopping and Culinary Track

c. Enhancing Tourism Information

Another initiative of the Surabaya government in developing tourism in the city is the making of tourist information. It is obvious that information is one of the most important things in tourism. In order to turn Surabaya into a popular tourist city, there should be sufficient information about Surabaya that can be accessed by tourists, both off line and online. The information is needed to promote tourism in the city as well as to make tourist in the city know about the tourist attraction and the way to access them (Anshory & Satrya, 2009). Comprehensive and reliable information is needed to support tourism development in the city. In this case, STO has set up several initiatives to enhance the quality of tourism information in the city.

To help tourist around the city, STO has up a TIC, putting road sign and tourism information board in several public places. The location of

TIC is at *Balai Pemuda*, this is one of the heritage buildings in the city that has a strategic location. There are officers in TIC who are able to give information about tourism object in the city. This service is accessible every day during office hours. Meanwhile, road signages have been put in several main roads showing the direction of several tourist objects in the city. Not all tourist objects are given signages, only several of them which are located near the city center. The third effort is setting up tourism information board in several public places such as airport, train station, bus terminal and several public parks. This board contains the information about the place as well as tourism object in the surrounding area. The following pictures show the effort of STO in enhancing tourism information in the city.

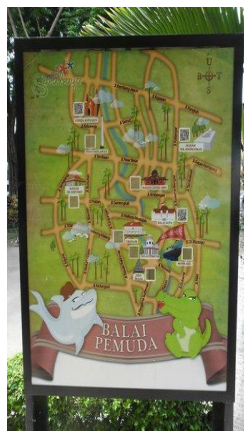


Figure. 2 Tourist Information Center and Tourism Information Board

d. Improving Tourist Infrastructures

Government participation is noticeable especially in the construction and renovation of existing public

facilities, especially those set up for tourists. As Garbea (2013) observes, the construction public infrastructure is important to support urban tourism. Therefore the renovation of sidewalks in the central business districts and in old section of the city is needed for tourism purposes. Tourists can enjoy gazing at heritage buildings in safer spaces away from vehicles that pass by throughout the day. Moreover, the renovation of city lights and road accessories make the city looks prettier, especially during the night. Surabaya government actively creates and maintains public parks, for tourists and locals to enjoy. The new attraction is built in several strategic locations, such as city center and waterfront areas. The establishment of new bridge, with the colorful fountain in the *Kenjeran* beach area near the fishermen village also brings impact to tourism development in the area (Surabaya Tourism Government Office, 2015). The new attraction which is called, *Jembatan Suroboyo* or Suroboyo bridge makes the areas more lively hence gets more attention from both local and foreign tourists.



Figure 3. *Suroboyo* Bridge

e. Making Surabaya a MICE city

Nowadays, Surabaya is trying to be an attractive venue for Meeting, Incentive, Conference and Exhibition (MICE). As stated by the head of STO and several members of the staffs, this city has the potency to become as MICE destination. Recently, Surabaya is able to be the host of many events, both national and international level. As the second biggest city in Indonesia, Surabaya is the hub of business and trade in eastern part of the country. In 2016, Surabaya was chosen as the host of the Preparatory Committee Habitat III Conference by the United Nation. This international event has proven that Surabaya is capable of hosting such an important event.

Despite limitation in carrying capacity, Surabaya has many excellent accommodation facilities, venues and good supporting system to hold a conference. There are also less traffic jams and fast access to the airport, compared to Jakarta. Therefore, there are many companies, organization and institutions both private and government that conduct their meeting or event in Surabaya. The city can host any kind of event, from sport music, cultural and business event to academic conference. However, Surabaya lacks suitable venues that can hold more people at the same time. Since the visitor coming to Surabaya for business purposes are high yield tourists who spend more money, it is important to take care of their needs. The STO has also the role to set up regulations to ensure that investment

and business process in Surabaya can be done effectively with transparency.

CONCLUSION

The STO as the representative of Surabaya government has significant roles toward tourism destination development in the city. In order to support and boost the development in the city, all aspects of government, especially inside the STO needs to share the common objectives, as stated by Donaldson & Preston (1995). They must have the same understanding on the same platform in term of tourism development as a priority item on the city development agenda. Without having the common goals, the development of tourism business will not be able to work well as expected by everybody. Developing old city areas and creating tour package using the heroic themes should be the responsibility of the government. Thus, making Surabaya as the MICE city needs to be considered, since the city has great potential to become one of the best venues for conducting national or international event.

The role of government is crucial in initiating and sustaining destination development projects. In the Surabaya case, the role of the government should not only be a mere regulator but also as an initiator of development. Nogueira and Pinho (2015) argue that by working together with other stakeholders in the city, such as private business and the local citizen, the government duties will be easier to carry out. Thus, the objectives of tourism development can be achieved

without too much barrier to overcome. The collaboration between the STO and other stakeholder should be done not only in policies but also in the application of the policies. The potential of Surabaya to become a leading tourist destination can be realized if all the stakeholders work together closely and consistently. In this regard, the government should be the leader in the process developing the city as a tourist destination.

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