The role of leaders as negotiators in urban development processes: a land use planning case in a society in transition[1]

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Abstract

Scholars studying leadership have suggested the need to explain failures, not only successful examples of leadership leading to winning regions. In this paper I present the story of unsuccessful planning efforts conducted in a tourist resort in Mexico. The aim is to explore the links between institutional and political structures and the negotiation strategies used by different stakeholders in leadership positions in organizations and social groups involved in urban planning and policymaking. Using negotiation theory the paper shows that such actors use formal and informal rules as well as power positions and political influence to shape outcomes during negotiation processes. Leaders position themselves as representatives of broader, sometimes undefined, social interests and try to use such "mandate" to shape the process to obtain gains. The paper shows that in the face of unstable rules, and lack of transparency and accountability. leaders may use their power to impose their vision and urban to shape the policy agenda. Their negotiation strategies tend to protect their own interests, and they tend to use power to prevent innovation in policymaking, which in turn diminishes competitiveness of cities and regions. This outcome contradicts what is suggested in other bodies of literature where leaders are portrayed as innovators. The paper traces the story of leaders using distributive strategies who fail to find a common agenda as suggested by the literature on growth machines. In their role as negotiators, leaders fail to reach an agreement that may provide benefits for all the stakeholders bringing competitiveness to the urban economy.

This is an interesting case to analyze, how in a society in transition, traditional forms of leadership become an obstacle for consensus building in urban policymaking. In this municipality, local government has emerged from two different political parties. As the rest of the country, the city was governed for decades by the Institutional Revolutionary Party (PRI), it then had two terms (three years each) of a government emanated form the National Action Party (PAN) and went back to a PRI government in 2006. These changes have done some, but not much to change the structure and practices of local economic and political groups. As a result the map of powerful stakeholders involved in urban planning efforts is not wide and each group tends to operate following the principles of a corporatist society. The most important groups are old hotel owners, new hotel owners, land owners, unions affiliated to a national workers federation, profession and associations, and some neighborhood based associations.

The paper is based on empirical evidence collected in Puerto Vallarta, an important Mexican tourist resort, during the preparation of a comprehensive land use plan. This is a tourist city located in the pacific coast in western Mexico where urban sprawl and new tourist resorts along the coast have contributed to the formation of a metropolitan area in three municipalities of two states. The planning effort analyzed here was conducted in the central city of this metropolitan area.

The key question this paper wants to answer, is how in a global economy where international tourist resorts have to be very innovative and competitive, a central city that is witnessing its demand to move to other resorts may fail to reach basic agreements in land use planning and to pass urban policies that may contribute to restructure its image and economic base and to respond to the global changes observed in a tourist industry in crisis.

To answer the question I use a negotiation theory framework to analyze a planning experience conducted between 2006 and 2009. The case study is structured in three parts. The first part presents the theory of leadership in negotiation of urban policy for a society in transition and explores the connections between institutions, political structures and negotiation strategies. This part suggests that in the presence of institutional instability, stakeholders will look for short time benefits, and the principal-agent problem will tend to exacerbate the difficulties to reach consensus on complex issues such as a comprehensive land use plan that involves thousands of decisions to be taken simultaneously and makes it difficult for negotiators to calculate their alternatives to a negotiated agreement.

The second part presents a brief description of urban policies in Mexico and the process of urban change and how these changes have led an uncertain negotiation environment where leadership and representation of social interests are not always together. The third part presents a map of stakeholders describing interests, leadership principles, practices and urban visions brought to the negotiation process. The fourth part describes how, by using distributive strategies stakeholders have stopped all the comprehensive planning efforts conducted in this tourists resort since 1997. Finally the fifth part analyzes the consequences of the lack of agreements and how institutional changes and new forms of leadership may bring innovation to urban policy making in this society in transition and enhance the competitiveness and living conditions of a growing tourist resort.

I. LEADERSHIP AND NEGOTIATION OF URBAN POLICY AND PLANNING

In the field of planning theory a distinction is made between theories of planning and theories about planning. The study of what actors in leading roles do when they act as negotiators belongs to the second strand. In this endeavor we need to see regions and cities as playgrounds for actors to play the planning game either as individuals or as representatives of complex organizations that are capable of pursuing interests within certain boundaries -.institutional, informational, etc.-.

What is what leaders do that we need to focus our attention in their role strategies and games? A full theory on leadership in urban and regional planning requires a broad perspective to try to answer the questions of who does what in planning and why?. We need to discern what is that leaders do that distinguish them form other actors? To do this, it is necessary to trace the origins and evolution of leadership as an institutionally (culturally) bounded social role. Current conventional theories of leadership identify key attributes of a good leadership. A good leader:

"• recognizes and anticipates problems, especially large scale "equilibrium" threatening ones; induces collaboration and consensus building patterns among diverse stakeholders; guides strategy development; elicits participation in strategy implementation; elicits commitment of slack institutional resources to strategy goals; and requires monitoring of implementation to assess progress" Stimpson, Stough and Salazar (2009).

Trying to go beyond the debate about whether leadership should be conceptualized as a personal "starring role" or a social endeavor "expression of collective action" Stimpson, Stough and Salazar (2009); present a characterization of leadership in urban and regional planning focused on how leaders use institutions and political power to negotiate. The connection between institutions, political structures and negotiation strategies can be analyzed empirically by looking at the games leaders play in different urban, social and political contexts. Institutions are the rules of the game and help to define who the actors are, what is expected from them and even the type of gains that a player may expect from the urban planning process.

In the presence of unstable rules and high implementation costs –both characteristics of a society in transition- players may pursue self serving strategies and search for short time gains. In doing so they may fail to be creative during negotiations and sacrifice larger social interests and benefits that can be achieved in the long run. There is a certain rationale in this behavior. Leaders do –or are may do at a particular point in time an in a particular context- what they are expected to do. They may or may not use the existent institutions to advance their agenda and to search for benefits in a negotiation rather than to work towards the creation of mutual gains. Since institutions evolve in particular forms, we could say that leadership is a path dependent position in the sense that the set of actions leaders do in time "T" are an extensions or simple modifications of what they were doing in time "T-1". Leaders may try to transform the institutional setting, but that is

only one of many options that a leader-negotiator may follow. Such behavior can be explained both theoretically and in empirical studies, using a combination of institutional analysis, applied negotiation theory and game theory.

Using such an eclectic theoretical background, it is possible to explain the role of leaders in urban and regional planning processes in terms of the actual role they play in a particular context, the negotiation strategies they use to reach agreement and the type of gains they expect to have for themselves, their followers and the society at large.

While it may be difficult to use game theory in its orthodox form for the purpose I am trying to use it; its foundations are still useful to propose that, in a planning game, actors interact interdependently and seek to achieve certain goals considering what others may want to achieve. A leader understands that to play the game, he or she needs to define strategies and assess the possibilities of achieving a certain amount of gains. It is in the role of negotiator that a leader plays an important part in shaping the possible outcomes of a planning process and how such outcomes are distributed between different stakeholders. The leader as a negotiator helps to shape strategies, conceptualize games and assess possibilities of certain outcomes.

By studying the role of leaders in an urban and regional planning process, we may be able to understand what happens in a specific place in a particular time. A leader may overemphasize some aspects of the problems, overestimate his negotiation capacity or construct fantastic urban visions for his followers in order to gain their support. Certain leaders may chose to use the strategy of "promise everything and deliver what you can" or "produce options with your constituency". To properly assess their role we need to take a look at even more precise themes such as

a) The way in which institutions shape the role of leaders, the existence of path dependent roles and the likelihood of change given the processes of political and institutional transformation and the capacities that some leaders may have to use or, more precisely, to create opportunities. An institutional approach may provide us with methods and theories that may help in this task.

b) The way leaders use their power and capacity to transform in many ways how other actors –individuals and organizations- see their role in a negotiation, how they construct their expectations in social interactions and the types of gains they may achieve. Applied negotiation theory may provide with the correct instruments to conduct such a research.

c) The ways in which leaders may influence the way other players assess the outcomes they expect in an interdependent interaction. Game theory may help us to understand this issue by looking at action orientations to suggest that a leader can actually influence the creation of some form of subjective evaluations of gains and loses and shape, therefore, the strategies and tactics used by the actors involved in a game. Leaders can play the role of transformative agents and manage their relationship with a constituency to shape their stand in actual negotiations.

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In sum, we need to construct a complex and empirically verifiable model of leadership to see leaders in actual fields of negotiation playing games with other actual players who use institutional boundaries as references for framing issues, demanding compensation and to identify themselves as legitimate players and representatives of larger social interests.

Using this approach we can focus on the delimitation of actual case studies in which leadership is constructed within a social, political and institutional context. We can also build comparative case studies, and use different evidences to answer questions such as why some forms of leadership emerge, and what types of gains such forms may help to achieve for both the followers and society at large.

This type of analysis is useful to study actual planning and policy design processes that may help or hinder the possibilities of a city or a region to create a competitive business environment and to offer quality of life to its residents. This is how we can trace the link between institutions and regional performance. Leaders may be the missing link to explain positive transformation or stagnation. But leaders are not themselves omnipresent, or omnipotent players, they are instead institutionally bounded actors who try to influence followers to work on a common goal that may help to contribute to the larger social objective of changing the world we live in. By doing this we can look at different aspects such as duration of games, construction of trust, number of players, how resources and capacities are distributed and the prevalence or obsolescence of certain strategies.

A) Institutional boundaries and leadership

Central to the theoretical debate of leadership is how the leader uses institutions and how this connection between institutions and leadership contributes to explain the competitiveness of a region. Institutions are relevant for the role leaders play through the strategies used by a leader and the behavior of those involved in a leader-follower relationship. It has been argued in the literature that "institutions (are) a *context for action* within which *constellations of actors* may interact with one another" and that "institutions are remote causes of an outcome and action remains a proximate cause" (Jackson, 2009). This means that in a theory of leadership we need to focus both the institutional setting and the actions of leaders.

A leader will act based on convictions, capacities and the conditions of the game. Institutions may explain how leaders establish, maintain or change the way they interact with followers, the number of players in a game, the existence of ratification processes, and the number of issues in the negotiation. Current theories emphasize the fact that "the capacity and the capability of local institutions to initiate, undertake and carry through plans and decisions is fundamental to - regional development-". A key point of debate is whether we consider leadership as a "basic characteristic provided by institutions" or as one of the "agents from which direction and guidance for the ways in which other institutions such as values, cultural traits, constitutions, laws, regulations and informal practices change" (Stimpson, Stough and Salazar; 2009).

Conventional theories of leadership distinguish two major types of leaders: Transactional and transformational. The transactional leader seeks cooperation and mutual gains, establishes relationships based in exchange of resources, and takes the initiative to contact others for some exchange of valued things. The concept of transformational leader draws on Max Weber theory of charismatic leadership. The notion is used in current approaches of political science and organizational analysis where the transformational leader is defined as "not content with the status quo", aimed "to change the people who work (in an organization)" "focused on change or, more precisely, transformation" (Forsyth, 19). In the so called, neocharismatic leadearship approach, the transformational leader refers to a leader that "must be visionary, it must transform those who see the vision, and give them and stronger sense of purpose and meaning" (Winkler, 2010). In regional development plans, people may influence others and act as leaders. "Transformational leaders are inventors and pioneers. They are people who venture into unexpected territory who guide the other people to new and often unfamiliar destinations, and thus are going before and showing the way". The extent to which leaders can do this without challenging the institutional status quo is an open question. To answer it we need to look at the institutional setting, the types of leadership and to society at large to analyze roles of leaders as components of patterns of activism and citizenship.

For the study of leaders as negotiators in urban and regional planning processes, the transactional-transformational distinction is useful but insufficient. As Liddle (Undated) points out "leadership now requires an appreciation of topdown and bottom-up onnectedness" thus traditional theories of leadership are ill equipped to address how leadership is played out in multi agency partnerships. To properly grasp the role of leaders we need to look at how institutions shape the role leaders play, how leaders construct their negotiation strategies and how they are in a constant pressure to redefine the negotiation mandate and to use the interests of a constituency as points of reference for designing strategies, creating options and reaching agreement.

A tempting analytical strategy is to suggest that leaders may challenge institutional status quo to the extent they can, given their own resources and capacity, the level of support they manage to get –which depends on the followers- and the level of control that existent institutions exercise in both the role of the leader and of the followers. But to transform the institutional setting, they definitely need to create new visions of institutional frameworks and new types of social interactions as normal forms of being. In other words, horizontal cooperation may not be feasibly in a hierarchical culture. Democracy may seem to be a dream in an authoritarian regime, but given the right moment is definitely worth trying, and leaders can try to create a shared vision for the virtues of both.

In and institutionally and game oriented perspective of leadership, a leader is concerned with building institutions for the future, allowing regions to take advantage of opportunities and to adapt for change. Leadership is what connects innovation to competitiveness. It has been suggested that learning in the context of institutional change and shifting public policy can trigger competitive advantage (Bleischwitz; Latsch, and Andersen, 2004). But organizations learn only to the

extent that the people who work for them learn. A leader may help organizations to learn, which can conduct to competitiveness.
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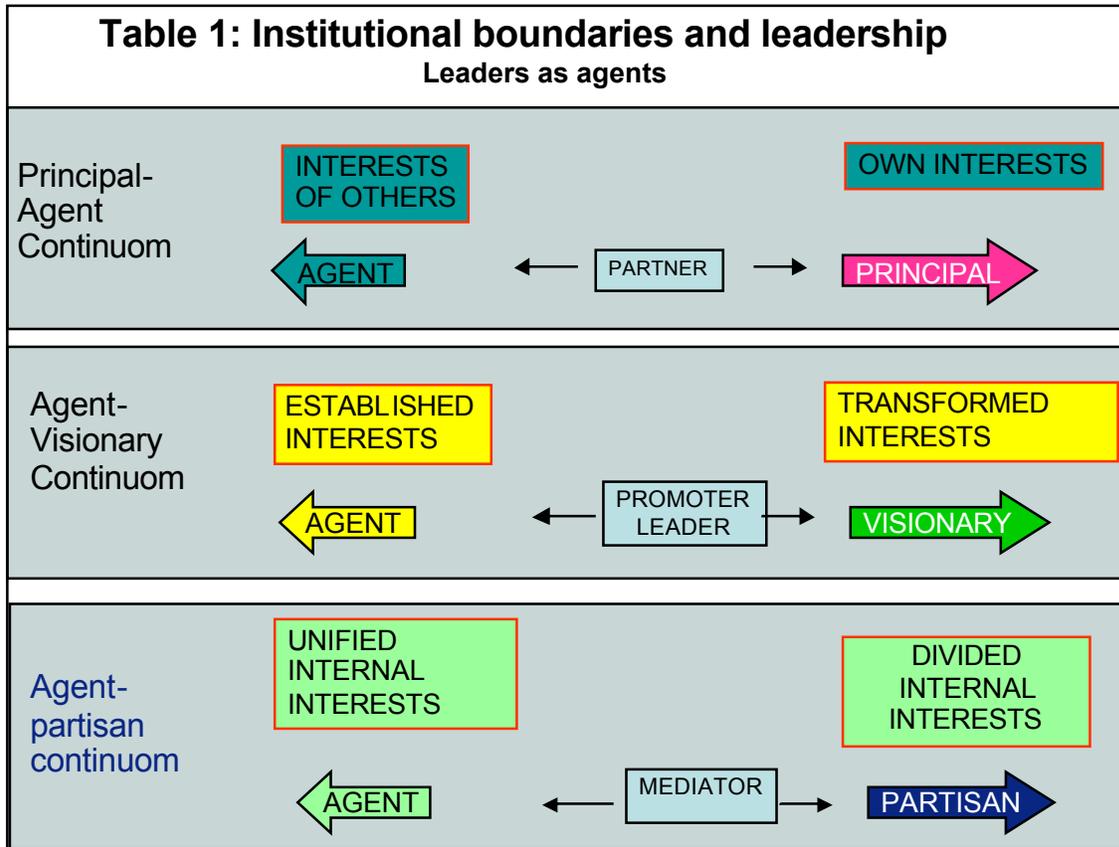**B) Applied negotiation theory and leadership**

Negotiation in urban planning refers to a sequence of actions followed by the parts involved to deal with actions and demands posed by other parts aimed to influence the path that a city or a region can take and the way different users can take advantage of what the city, or parts of it, have to offer to different players. In empirical analysis we can include any type of negotiation that shapes the way we use or transform the city, but it is useful to use negotiation theory in urban and regional planning to analyze processes having a direct impact in the city, such as development projects, urban plans, urban policies, urban legislation and other policy designs that may define winners and losers.

The reason we need to use applied negotiation theory to understand how leadership impacts urban and regional competitiveness is because current theories of urban change provide insufficient explanation. Existent theories focused on the role of growth machines, social capital and culture are not enough to explain how is it that goal oriented parties acting under bounded rationality get to agree on some large projects but not on others; how is it that they reach consensus on a particular plan and are willing to face the consequences of not approving others. Using macro social analysis of urban change such as theories of economic restructuring brings the role of structure but does not explain the role of leaders as agents of change or as representatives of larger interests. For that purpose it is necessary to turn to the role of leaders as negotiators and to analyze their strategies and the representational dilemmas they face. By doing so we may get a better understanding of the way leaders help to change a city or a region.

Using this perspective we are better positioned to understand why a local government acts in particular ways, and why some relevant projects do not get through the negotiation process while others, even less attractive for a city get sometimes unanimous support. We can explain why some urban plans are followed by different administrations while others tend to end when a particular group loses an election.

The role of leaders in negotiation can take two paths. First to convince the followers of the merits of a certain goal, which has been extensively studied in organizational settings (Bass 1997, Pedreja et. Al 2006). And second, to negotiate with others policy options that may bring benefits for all. The key element for understanding how leaders lead in a negotiation is that leaders represent the interests of others. Scholars in this field argue that where there is representation there is a potential conflict between social choices and leaders´ own views of problems possible solutions. To the extent that an institutional setting allows it, leaders may use their power and resources to shape, transform and influence public perceptions and try to persuade them of solutions that may not be the best for their interests. Applied negotiation theory has offered a detailed proposal of how transformation can actually take place. According to Cutcher-Gershenfeld, 1999) an agent in negotiation faces three tensions named the principal-agent *continuom* in which transformation means the leader tend to act as principal that

defend its own interests; an agent-visionary *continuom* in which he may decide to transform the interests of the principal to reach consensus, and the agent-partisan in which he may decide to side with part of a divided interest of the principal.

Table 1: Institutional boundaries and leadership
Leaders as agents

Principal-Agent Continuom	INTERESTS OF OTHERS		OWN INTERESTS
	AGENT	← PARTNER →	PRINCIPAL
Agent-Visionary Continuom	ESTABLISHED INTERESTS		TRANSFORMED INTERESTS
	AGENT	← PROMOTER LEADER →	VISIONARY
Agent-partisan continuom	UNIFIED INTERNAL INTERESTS		DIVIDED INTERNAL INTERESTS
	AGENT	← MEDIATOR →	PARTISAN

A typical situation of how leaders´ preferences may differ from social preferences is presented on the following figure where social preferences for private and public goods are clearly different from those of the leader whose preference can lead towards a mix with more private and less public goods. How might the leader and the public solve these differences? The answer to that is that possible solutions are shaped by institutions, resources and capacities. The leader may have more or less room to shape, transform and influence how the followers define their interests. As represented in the figure, this situation leads towards the construction of some form of urban utopia in the sense promoted by the garden city movement, or urban opportunism, where the leader tries to align social interest to the search for private benefits.

Table: 2 Leadership and public choice
(Two models of reconciling differences)
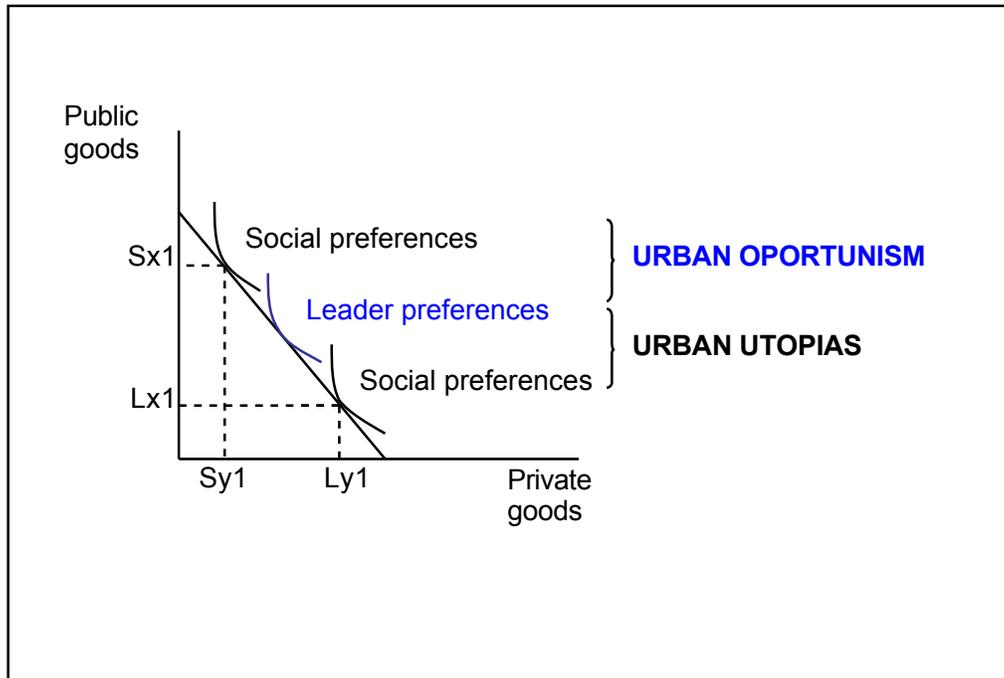
The leader as agent of such interests may want to transform the interests of the public in order to reach consensus. If institutions and political conditions allow more room for the existence of charismatic leaders, they may push their agenda and try to transform the public interests in such a way that solutions are closer to the leaders own interests (preferences). If institutions allow more room for public debate and the creation of new frames for political and social discourse, then leaders will have less space to seek their interests and will have to conform to the social preferences.

C) Games leaders play

Institutions are a key explanatory factor to understand the real games played by leaders as negotiators. Institutions shape the role of negotiators by changing the type of goals that a player may pursue in a negotiation. An example of this is provided by the constitutional changes in Mexico in the 1990s that granted all the formal power to local governments to decide on land use planning, but left open the possibility of state legislatures to pass state laws to curtail such freedom. Instead of abandoning the subject to local governments, state and federal entities and other players like national utility companies and airport administrators have entrenched themselves on legal technicalities to defend their role or situation as key players in land use regulation.

According to Scharpf, institutions are also part of actor orientations and therefore help to explain what type of negotiations they participate. His actor centered institutionalism approach provides a basic model to understand the strategies used by a player in a negotiation. Actor orientations may help to understand how leaders negotiate and the extent to which they may want to transform the institutional context. This approach has been used to analyze the role of policy networks and to show that general distrust is a possible outcome if society is "marred by corruption", if defection is not prevented by law or contract and if implementation processes on the basis that some characteristics of implementation processes imply that some games are more likely than others (Bressers, Klok, and O'Toole, Jr.; Undated)

Here I extend this approach to develop a typology of social interaction and negotiation strategies based on the existences of the action orientations described by Scharpf (1997), which offers more solutions than the simple bargaining, confrontational, problem solving orientations derived from Scharpf and others (Messner and Meyer-Stamer 2000) To benefit from this approach I am assuming that a leader is an actor with a vision or with the capacity to transform the visions of the followers, which allows him/her to participate in a negotiation considering the interests of the followers and using a rational approach to measure gains. The vision may be created by the leader or derived from social interaction and social demands. In the words of Sotarauta (2005) "It is not necessary for a leader to have a vision. A leader may lead by engaging followers to an open ended and hence empower them to search for the futures" He also argues that the path to competitive advantage is based on leadership capacity to build characteristics that can be summarized in innovation capability and distinctive knowledge pool.

The typology of orientations assumes that leaders interact in an interdependent way with other representatives of social groups during planning processes which opens the room to use different action orientations and to search for long term or short term gains. The distinction between both types of gains is relevant in planning since the full benefits of urban competitiveness can only be reached in the long term and searching for short term gains would reveal a larger emphasis in the use of distributive strategies in negotiation.

One should be aware that actor orientations are a perplexing aspect of planning negotiation. Changes in institutional, social, political or economic contexts may lead to shifts in actor orientation that are not easy to forecast. Table 3 describes how actor orientations as suggested by Scharpf (1997), are related to different game models that players may use in urban and regional planning processes. Depending on several factors such as institutions and capacities, negotiators may recur to one particular model during a negotiation. As suggested in the next section, path dependency leads current leaders to use different traces of previous forms of leadership.

		Game models associated to expected gains and time frame of the games	
Table 3: A typology of leadership and planning negotiation strategies in urban and regional planning			
		Long term	**Short term gains**
GAME STATEGY (Interaction orientation)	**Altruism** $(Ux = Y)$ Payoffs to placer X are irrelevant, what matter is that others gain	Charitable remediation of urban problems	
	Solidarity $(Ux = X + Y)$ Gains to any of the interacting players are equally valued.	Broad social contract for urban quality of life (Human Development Consensus)	Strategic coalition building for project approval (Growth oriented Consensus)
	Individualism $(Ux = X)$ Only gains and loses to player X are considered.	Battle of comprehensive planning proposals	Battle of the projects
	Competition $(Ux = X-Y)$ Gains to player X or loses to other players are valued.	Self selection of winners with urban development	Competitive bidding traps
	Hostility $(Ux = -Y)$ What matters is that others lose.	Parochial entrepreneurialism (confrontational boosterism)	Urban civil war, (Nimbysm)

Source: Typology based on Scharpf, Frtz W. 1997 *Games real actors play: actor centered institutionalism in policy research.* Boulder, Westview Press.

II. Explorations of traditional roles of leadership in urban and regional development in México

Since the late 1980s, Mexico is witnessing a transition process towards democracy and open markets. This period is characterized by institutional change, transformation of political allegiances and reconfiguration of power structures. This puts a lot of pressure on how leaders influence regional and urban development. In a very broad sense, we can say that in Mexico there were three culturally (informally institutionalized) forms of leadership: a) Corporatism, b) Caudillism (Caciquism), and c) Corrupt Clientelism. None of them has disappeared. Leaders now may use different combinations of them while they try to adjust their practices and strategies to the new political, institutional and social environment.

Corporatism is a system of political relations where leadership is played in a very hierarchical form and has an institutional basis aimed to reach consensus on key social, political and economic decisions of general interests that, nonetheless may provide huge benefits for leaders and members of small coalitions. This is not a democratic form of corporartism as reported by Peter, J. Katzenstein in his comparative studies of small states and industrial policy in Europe (Katzenstein, 1985). Corporatism in Mexico was based on strong, sometimes unwritten rules of allegiance to an unspecified general interest. As an account of Mexicos's policy process has put it (Teichman, 2009); its exclusionary character and hierarchical leadership was based on a combination of formal and informal political arrangements. The system was based on a corporatist political control where the president of Mexico had an almost omnipotent character and the state bureaucracy had also "marked authoritarian features". Access to government positions was based in loyalty and bureaucratic teams and were not expected to question policy preferences of he leader.

Caudillism (Caciquism). This type of leadership is based on the charisma of persons who managed to accumulate (or in some cases inherit) power, access to power and control of key resources. The practice of caudillism is a form of populism where the leader claims to have what Knight calls "a proclaimed ´rapport with the people´ a 'them and us-mentality´'" that has been used in urban and rural contexts and in traditional and "neo" forms as used in Mexico by president Salinas. In the context of a centralized system where access to power and economic benefits were controlled by political influences and where political control was needed to sustain a model of hierarchical urban growth The *Cacique* was someone who had the power to convince the central power holders that he had control over regional whims and whishes, and convince his followers at the local level that he had access to the central power holders. *Caciques* were leaders with a vision, and their vision consisted in the accumulation of political and economic power that was discretionally distributed to the followers. The key was to convince everybody else –using the force if needed- that the vision of the leader was the best way to achieve social benefit.

Corrupt clientelism. In sum corruption has been defined as "illegal transaction where public officials and private actors exchange goods" (Manzetti and Wilson, 2007). Clientelism has been defined by Manzetti and Wilson as "an informal relationship between two actors … where the patron has the upper hand (and) controls the kind of resources that his or her clients pursue but often cannot receive otherwise." (p. 953). This type of leadership, is based on the capacity of the leader to offer short time dividends to a particular constituency using corruption as the key to defend the interests of particular groups. Corrupt clientelism is a relationship based on "informal cultural and behaioral norms" as well as on "personalized relationships based on loyalty and deference" Clientelism was often the predominant form of political interaction of the urban poor but is slowly

changing through coalitions that allow communitity groups beyond the model of isolated, local grievances (Shafner, 2001). It has been argued that the model subsists because government institutions are weak while patron-client relationships are strong which leads people "more likely to support a corrupt leader from whom they expect to receive tangible benefits" (Manzetti and Wilson, 2007)

These traditional forms of leadearship are changing during the Mexican transition. Corporatist forms of leadership that were functional in an authoritarian system are evolving towards territorially based communities that may operate on a corporatist basis, but are developing communal identities and new sense of what actually enhances their quality of life. In some parts of the country like Mexico City, clientelism, is still alive and well due to persistence of informal rules of patronage (Hilgers 2005). Political transition and institutional change is resulting in decentralized forms of leadership with evolving forms of representation including informal mechanisms of community organization.

For government planning efforts this change has meant a drastic learning curve as planning officials are not prepared to deal with emerging forms of participation and representation and the institutionalized process has not left room to accommodate innovations.

Key policies aimed to make the Mexican economy more functional to the current challenges have played an important role. On the political arena, the period between 1988 and 2010 marks the end of one party rule in Mexico, particularly at the local level. Among the many urban policies that have transformed the structures and cultures of interest groups and the way leaders behave as agents of social interests and as agents of urban change in particular, there are two key pieces of constitutional reforms undertaken during the administration of President Salinas de Gortari (1988-1994). The first piece was the introduction new regulation of *ejido* properties which allowed the introduction of the market as an institution in urban and rural land markets. This legislation facilitated the conversion of rural land to urban purposes expanding the demand for land reserves and speculation. The second reform was a constitutional amendment that effectively transformed local governments from administrators of urban changes into sovereign players in urban planning, land use regulation and property taxation policy making. After this amendment, and following state legislation, local governments became the key decision making body for urban land development.

Departing form these two key urban policies, every city has developed particular forms of urban planning processes. Fast growing tourists resorts have witnessed a growing pressure to adapt to emerging and growing demands for new mixed use developments, high rise condominiums, and a varied assortment of real estate projects brought to these urban areas by large developers and speculators wishing to profit from the pre 2008 financial crisis flamboyant real estate market that was transferring vast amounts of cash into secondary homes, flashy retail projects and new urban type hotels for business and sport oriented tourists.

These processes of institutional change and emerging investment pressures transformed the character and political relations of the interest groups every city. The strength, structure and stability of political alliances have changed dramatically. To have a better understanding of the process it is useful to consider the case of Puerto Vallarta, a tourist resort in the pacific west coast.

Transition and political alliances in Puerto Vallarta

Over the past 20 years the city of Puerto Vallarta has had 3 three years term administrations from the National Action Party (PAN), and then went back to the Institutional Revolutionary Party (PRI) who has ruled the city for the past 70 years. Changes are also observable in the private domain. Old corporatist groups such as Union Confederations and Entrepreneurs Associations have seen their power to diminish as democratization and new legislation has expanded political freedom for their members. Meanwhile new groups have irrupted in the local political arena, this is the case of community representatives, non governmental environmental organizations and the local campus of the state university that has emerged as a key player in all types of policy debates that require expertise and information.

Social division and political antagonism has become the trademark of local politics. Local media are constantly reporting how the political transition observed in Mexico has increased the likelihood of local leaders using opportunist tactics to take advantage of opportunities to gain access to political power or to expand their economic fortunes, which in this city are closely associated to the expansion of the urban frontier either trough the physical expansion of the city or through new urban projects that are transforming the urban image.

As a result of all this, the negotiation environment has become uncertain. Institutionally established leadership and actual representation of social interests do not always match; political or economic gains in the long term are less certain than they used to be in the past. For example a politician that sees his turn to run for local mayor as representative o major party (PRI or PAN) may decide to run representing a minor party and hope to be elected as council member for a three years term instead of waiting for the nomination in an uncertain future. In this uncertain environment, *ejido* leaders have metamorphosed themselves into some kind of informal real estate developers and power brokers. Leaders of corporatist organizations (COPARMEX, LOCAL CHAMBER OF COMMERCE) are constantly changing their discourse and political allegiances, and big developers are putting pressure to everybody else to see their projects passed. Incentives for corrupt practices have run fast and the State government entities are struggling to maintain themselves as key decision makers in urban planning.

Uncertainty and institutional change has triggered the use of all kinds of short time strategies which has resulted in huge transaction costs for those involved in urban development and for anyone who may want to invest in new projects. In turn, competitiveness of Puerto Vallarta is rapidly eroding. Investments are moving somewhere else, many times to the nearest town, which happens to be in the same bay but in a different state. A broader explanation of this needs to take account of the social division and the transformation of leadership in the face of the broader transition observed in Mexico.

III   A divided society

For different reasons Puerto Vallarta today is a highly divided local society. The many challenges faced by this tourist destination to stay competitive have not been

enough to instill a sense of community or to favor the emergence of consensus oriented forms of leadership. There is mistrust among leaders and followers, and among different leaders. The lack of trust has played a crucial role in the low degree of cooperation among the different social groups. A basic map of stakeholders developed during the preparation of a comprehensive land use plan allows the identification of dominant interests, leadership principles and practices and a diversity of urban visions that such leaders bring to the negotiation process.

(DOW) Downtown business owners. This group is formed mainly by store owners and landlords with properties in the downtown area. Their main interest in urban planning is to keep downtown as the iconic image of the city and as the most important retail and entertainment district in the emerging metropolitan area. This is not a solid coalition as some are fully committed to the idea of preserving the small town image while others are waiting to take any opportunity to profit from the dynamism of the real state market and see no problem in selling or transforming their properties and in bringing more density and less housing uses to he city centre.

(HOT) Old hotel owners. This group traces its roots to the early stages of the consolidation of Puerto Vallarta as an internationally known tourist destination. They own hotels in the central area of the city including the developments of the 1970s and early 1980s. A key interest of this group is to stop any form of vertical growth, they agree on the issue of preserving the small town image of downtown and radically oppose the creation of secondary residences or any mixed use development that will accelerate the transformation of Puerto Vallarta into an international urban beach business center and put an end to the "traditional small-town beach resort".

(CHA) Local Chamber of Commerce. This is one of the key traditional entities with a political power rooted in the corporatist political culture of the past. While it still claims to represent the organized commerce and tourist services its power has diminished over the past few years as many entrepreneurs skip the affiliation or only pay their membership but do not participate or support corporatist view held by chamber representatives. Leaders of the chamber of commerce have a strong incentive use their position for personal gains and willing to play the role of power brokers for new developments or to expand their public role to get elected to public office.

(CPX) COPARMEX Confederation of Mexican Entrepreneurs. This is another corporatist entity that represents some of the largest entrepreneurs of Puerto Vallarta. Its power has also diminished and the leaders play a similar role to those of the Chamber of commerce, except that they are more supportive of urban sprawl, the transition form a tourism based economy to a more diversified economy and they are also more open to urban density.

(MTN) Southern mountain-beach corridor landlords. This is a diverse group of landlords that includes hotel owners, real estate developers and *ejido* owners. The

common interest of this group is to use any opportunity to profit from the real estate market but there are differences as to the level of transformation that the area can sustain to preserve its natural beauty and its ecological value. A key debate within this group and between this group and the rest of the stakeholders is whether to maintain the current zoning code as a tourist area or to open the hills to developers who want to build low density, and even high density residential units.

(NHI) New hotel investors. This is also a lose coalition formed by new hotel investors who see Puerto Vallarta as a mature beach destination that still lures middle and high income customers with its tropical flavor, but want to venture into innovative forms of development that include mixed use projects, and want to attract business, entertainment and sports oriented tourists.

(NLD) New large scale real estate developers. This group is formed by the new real estate developers looking for opportunities that cover a vast range of uses including retail chain stores, cinema, housing, secondary housing and even entertainment venues. To the eyes of local players this is the main enemy of the future of Puerto Vallarta because they stand for everything is hated in a beach tourist resort: residential units instead of hotel units, high density instead of low scale units, urban sprawl instead of growth control, rapid urban transformation instead of small town image, ecological disaster instead of protection.

(EID) *Ejidos* and informal developers. This group is in fact formed by three different players. Parcel owners, *ejido* leaders and small informal developers. They are interested in not being displaced, in selling their land to the highest price possible and in keeping a sense of community in the original communities that have been incorporated by the city. They are interested in profiting from the transformation of their lands to urban reserves, but are reluctant to pay the taxes involved in the process. Some of the support goals of ecological protection, particularly if that does not involve protection measures to their own land.

(PRI) Institutional Revolutionary Party. As a party the local PRI is an example of how political parties have evolved in the current transition. In Puerto Vallarta the party is a lose coalition of all sorts of people from very rich entrepreneurs to very poor immigrants. Because of the origins of Puerto Vallarta the key players within the parties are *ejido* representatives, union leaders and professionals with an established reputation of power brokers. The political discourse is oriented towards the preservation of social achievements such as public education, health services, and a vast array of clientelist arrangements. The party has no identified discourse for urban planning other than expanding the role of the local government as provider of basic public services within a very unequal urban structure. PRI party leaders tend to support politically correct positions in environmental protection, urban development and social welfare but there is no clear commitment to a particular program.

(PAN) National Action Party. The party is controlled at the local level by small and large scale entrepreneurs, independent professionals and former members of

PRI. With a conservative agenda in social issues, PAN is a party with no clear urban and local economic development discourse. Some of its representatives strongly oppose the arrival of new housing or mixed use developments, they want to keep the small town image and oppose urbanization of mountain areas.

(PAS) Professional associations. There are two types of organizations with a clear activism in urban planning issues. These are formed by architects and engineers. They share the interest in providing services to developers and public entities. The support efforts to preserve the small town identity in the city centre, and support measures to reduce urban sprawl and urban density. They tend to oppose mixed use developments.

(LOG) Local government. The local government has the constitutional mandate to decide on land use planning. Because of its plural nature it tends to have no clear urban discourse but to have a permissive approach to new projects, which over the past 15 years has resulted in a drastic transformation in key parts of the city centre, the marina area in the north and in the southern mountain corridor.

(MUR) State Ministry of Urban Development. The main interest of MUR is to preserve conventional forms of city planning which results in opposition to mixed use developments, and to the expansion of the city boundaries to allow for planed urban growth.

(AUR) State General Attorney for Urban Development. The legal role of AUR is to monitor the application of urban legislation, but in practice it tends to share the positions of the ministry of urban development and to get involved in highly visible cases.

(ACO) State Administrative Court. This is increasingly important entity on urban planning issues as more stakeholders are taking to court procedures and policies that affect their interests. Court decisions have stopped the implementation of the last two urban plans approved by the municipal council.

(ULE) Union leaders. They have no proper urban discourse. They often play the role of power brokers and assisted developers to get all the permits and licenses and to help neighborhood representatives to provide clientelist solutions of small urban problems and social needs. In the past they have used their power to stop urban policies that were taken without their approval.

(UCR) Urban community representatives. Most of the community organizations are structured as neighborhood associations and tend to demand better public services and infrastructure. Most organizations have no strong positions on environmental, urban sprawl or urban density issues.

Table 4: Key players in the urban planning game in Puerto Vallarta	
Player	Key interests
(DOW) Downtown business owners	Maintain city centre as most important business district. Preserve small town image.
(HOT) Old hotel owners	Opposition to urban density, mixed land use developments, protect mountains.
(CHA) Chamber of commerce	Play the role of power brokers, increase economic activities within a tourist economic base.
(CPX) COPARMEX	Play the role of power brokers, increase economic activities including diversification.
(MTN) Southern mountain-beach corridor land developers	Take advantage of development rights, develop secondary housing units.
(NHI) New hotel investors	Invest in new segments of hotel services.
(LRD) New large scale real state Developers	Take advantage of urban expansion and the role of Puerto Vallarta as center of a metropolitan area. Develop innovative real estate projects including high rise and mixed land use.
(EID) *Ejidos* and informal Developers	Profit from urban development, preserve sense of community.
(PRI) Political figures (PRI)	No clear political discourse, maintain clientelist forms of solving urban problems.
(PAN) Political figures (PAN)	No clear urban discourse, some members oppose tourism development, urban density and urban sprawl.
(PAS) Professional associations	Provide services to investors and public entities, opposition to transformation of city centre, ecological protection and opposition to urbanization of mountain areas.
(LOG) Local government	No clear urban discourse, preserve small town image in city centre.
(MUR) State ministry of Urban Development	Maintain a role in local land use planning, maintain planning status quo, opposition to urban density and mixed land use.
(AUR) State general attorney for urban development	Maintain planning status quo, opposition to urban density and mixed land use.
(ACO) State Administrative Court	Maintain strict legal procedures.
(ULE) Union leaders	Play the role of power brokers, no clear urban discourse.
(UCR) Working class community representatives	Better services and infrastructure
(SRC) Secondary residence and high income communities (South and Marina residents)	Preserve residential character, ecological protection.
(UNI Universities (local campus of state university	Preserve small town image, ecological protection, no secondary housing.
(ENG) Environmental Organizations	Prevent urban sprawl, wetland preservation, protection of mountain areas.
Source: estimated using interviews, newspaper coverage and participation in planning workshops	

(SRC)   Secondary residential owners and high income communities. Organizations of middle and high income neighborhoods, particularly those formed by secondary residences maintain a broader agenda that includes opposition to urban sprawl, mixed use zoning provisions or efforts to increase urban density. This position is changing as secondary residences are increasingly bought in high rise buildings.

(UNI) Local campus of state university. University leadership has maintained positions against urban density, new real estate developments offering mixed use, and secondary residences in high rise buildings. It also supports measures to control urban sprawl and to avoid the urbanization of mountain areas.

(ENG) Environmental organizations. The main themes of local environmental organizations are protection of the remaining wetlands, mountain areas and health issues in local beaches.

All these groups provide or support different answers to the urban, economic, social and environmental problems in Puerto Vallarta and have a different understanding of how a comprehensive land use plan can be used along other public policies to increase competitiveness, increase the quality of life, achieve social justice and protect natural resources and the urban image.   There are twelve key planning issues along which social stakeholders are constantly debating.

Table 5: Key planning debates
1. How to maintain sustainable competitiveness?
2. What vision for the future: Urban beach metropolis or traditional tourist resort?
3. How to preserve the small town image in downtown?
4. What type of urbanization in southern mountain-beach corridor?
5. What type of urban density control?
6. What goals for comprehensive land use regulation?
7. How to prevent urban sprawl?
8. How to end informal settlements?
9. What type of transportation solutions?
10. How to create urban social justice?
11. Role of government in urban and natural preservation?
12.   How to bring participation and long term perspective to urban planning?
Source: estimated using interviews, newspaper coverage and participation in planning workshops.

To have a better understanding of how leaders are likely to perceive their role we may use the list of actors and issues identified in the planning process of Puerto Vallarta to develop negotiation maps. This are charts of possible coalitions based on estimates of where a particular player may be on two different issues that offer room for creating value. This is a quasi empirical instrument in the sense that

estimates do not refer to a real value, but estimated by a researcher based on qualitative information, or developed using a Delphi technique. Despite this drawback they are still useful as *proxi* measures of real evaluations which are plausible positions of real actors in a particular context. They may be used with certain confidence under the assumption that they portray the position of a player who, if asked directly, would find trouble providing an exact measure on a particular scale.

Table 6: Coalition forming and competition
(Hypothetical stakeholder maps on two selected policy options

Preserve Small Town Image in Downtown

Planned urban density in selected areas

COALITION FORMING AND COMPETITION
(Hypothetical stakeholder maps on two selected policy options
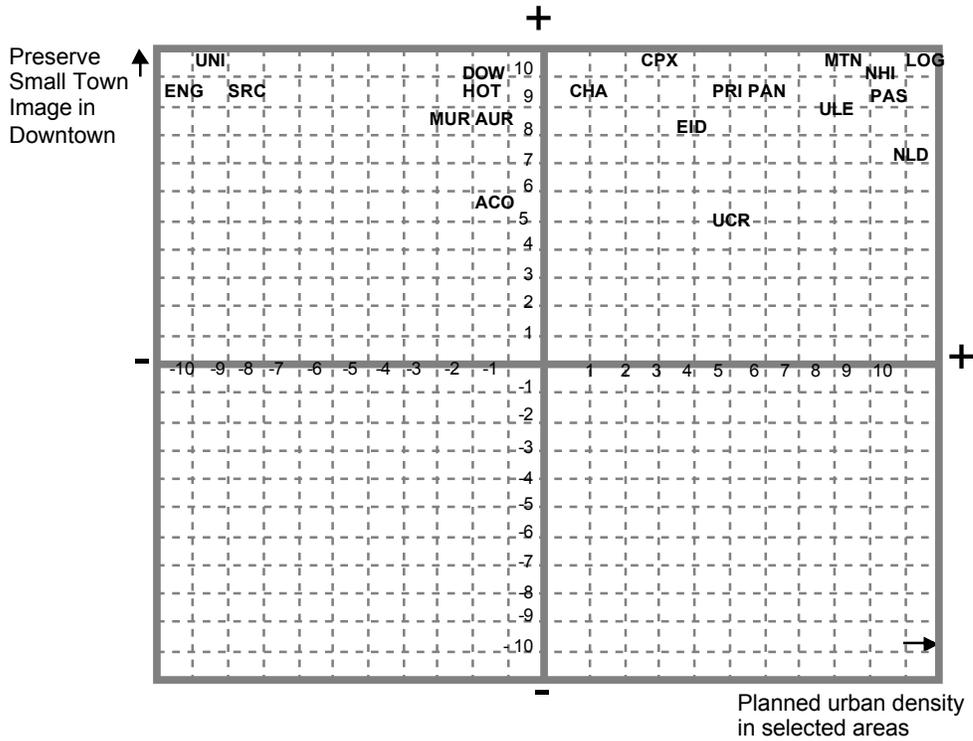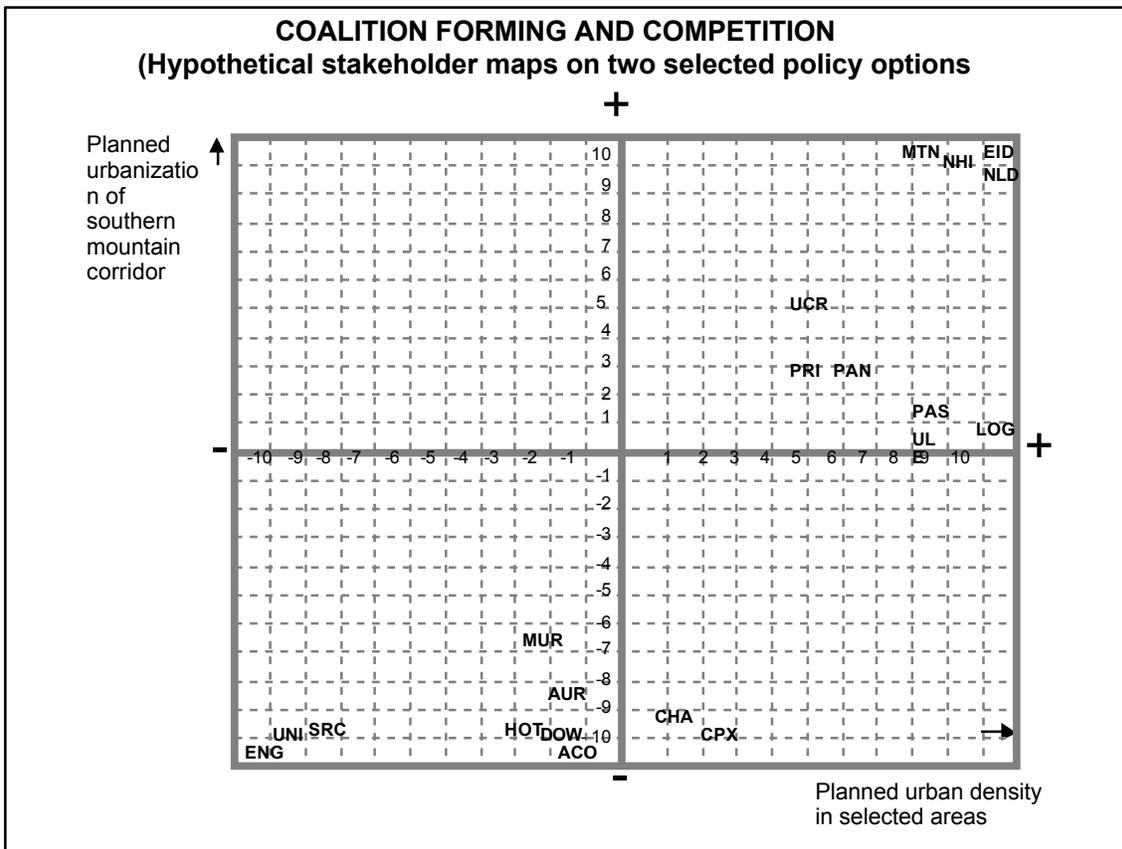
IV Using formal and informal institutional mandates to negotiate

Since 1997, Puerto Vallarta has failed to approve a new comprehensive land use plan. The local council has approved some versions but social actors have managed to litigate and stop the implementation of such plans. A general interpretation of this outcome is that key stakeholders have used distributive strategies to maintain the status quo, which is somehow understandable given the weak institutional arrangement that does not prevent the city from growing and developers from gaining approval for the projects they present to local authorities. How is this possible? The interpretation provided here is that leaders use informal and formal institutions to negotiate which have conducted to a stalemate in the comprehensive planning process while some actors get approval of particular decisions on a project by project basis.

Using the example of Puerto Vallarta I propose the following characterization of modes of leadership interaction based on the actual form of leadership under current institutional arrangements and the type of negotiation strategy that a leader may want to use when participating in the planning negotiation. This model is a first theoretical construct that may contribute to explain the current outcome of planning efforts in Puerto Vallarta. The model suggests two types of strategies, integrative and distributive, as well as three types of leadership: solid, hollow and contested. Using this scheme we may identify six action

orientations ranging from an integrative strategy used by a solid leadership that results in an action orientation that seeks for long term forms of solidarity including generational solidarity reflected in support for sustainable forms of urban development. In the other extreme we have a distributive strategy used by a contested or unstable leadership which results in an action orientation focused on short term gains and hostility. This is the action orientation that dominates local politics in Puerto Vallarta, which explains why leaders have failed to reach consensus on new plans that may provide structural solutions to the many problems affecting the competitiveness and quality of life of this tourist destination.

Table 7: Action orientation and urban planning negotiation strategies in Puerto Vallarta, Mexico.		
Type of leadership	Negotiation strategies	
	Integrative	Distributive
Solid	Long term Solidarity	Individualist search for short term gains
Hollow	Competition for long term gains	Competition for short term gains
Contested/Unstable	Individualist search for long term gains	Short term focused hostility

V   Failed leadership and urban future

In this part I analyze the consequences of the lack of agreements and how institutional changes and new forms of leadership may bring innovation to urban policy making in this society in transition and enhance the competitiveness and living conditions of a growing tourist resort.

Stimpson, Stough y Salazar (2009), argue that leadership is an internal factor that transform the ways in which a society frames issues and works on solutions. In their model a strong proactive leadership is a key link of a virtuous circle that leads to sustainable development. In regions that are performing well, leadership, they argue, has been crucial in providing appropriate policies, facilitating the right environment and the initiation of crucial institutional reforms. Their theory suggests that strong leadership and effective institutions may expand a region´s possibilities frontier regardless of its resource endowments. Thus. "a city or a regional economy needs to be trying at all times to adjust its institutions and productive organizations and enhance market fit by efficiently and effectively harnessings its resource endowments to be competitive"

My interpretation of the situation in Puerto Vallarta is that the uncertainty created by the rapid process of institutional change resulted in the configuration of a policy network that is consistently failing to provide the adequate policies and urban plans that Puerto Vallarta needs to be competitive, while at the same time it has stripped local governments of the capacity to use the "shadow of hierarchy" in urban planning. The government cannot impose a solution. State legislation has

contributed to the problem by creating an effective distribution of partial veto powers.

In the following figure, I use the stakeholders maps presented above to present a typology of strategies used by different leaders who were representing social interests during a comprehensive land use planning effort conducted between 2007 and 2009. As suggested in the figure, twelve out of twenty identified stakeholder representatives favor the use of distributive strategies, and three of them were clearly pursuing hostile strategies directed to achieving short time gains that included political presence, economic benefits and the preservation of a caudillist control of important organizations. On the opposite side, only eight stakeholder leaders were closer to the ideal of using integrative negotiation but even they were using action orientation closer to individualist and competition characterization described by Scharpf (2007).

Table 8: A divided society, playing games and failing to produce competitiveness in Puerto Vallarta.	
Negotiation strategies	
Integrative	Distributive
Long term solidarity	Individualist search of short time gains (PRO. PAN,PAS)
Individual search for long term gains LOG-DOW-MTN-NHI-EID-UCR	Competition for short time gains NLD-MUR-AUR-ACO-CHA-CPX
Competition for short time gains ENG-SRC	Short Term focused hostility HOT-ULE-UNI
Source: estimated based on interviews and content analysis.	

In the context observed in Puerto Vallarta it is hard to move from the current status quo to a Kaldor type improvement. This scenario is far from sight since most players use distributive strategies that prevent any search for compensation schemes for policy costs. An innovative urban planning network governance does not seem to be an option in Vallarta. Actors are still interacting but they have failed to reach a compromise to boost comeptitivenes and to substantially enhance the urban quality of life.

So what is missing? I offer three possible explanations:

a) Weak institutions fail to guarantee binding agreements. From a theoretical perspective we may argue that such agreements facilitate the cooperative outcome. In the context of institutional uncertainty and political change observed in Mexico, basic institutions that could guarantee commitment to agreements are diseappearing with no replacement in sight. Party discipline, stability of patron-client relationships, corporatist vote an other key traditional institutions inspire less trust than they used to be, and contract enforcement is plagued by corruption and transaction costs.

b) Institutional uncertainty diminishes the possibilities of developing strong but democratic leadership and increases the costs of commitment and monitoring of implementation processes. According to the literature on institutional change, my interpretation is that in Puerto Vallarta this is also an important factor. While most participatory efforts are oriented to the design part of a planning process, almost none are dedicated to the implementation process. Once an agreement is reached, players are left alone to follow the agreement, this increases the likelihood of defection which in turn increases the mistrust for institutional arrangements.

c) For different reasons including lack of experience, unwillingness to compromise, and misunderstandings regarding the scope and character of a land use plan; many stakeholders find it difficult to link issues and produce acceptable solutions. In this context the comprehensive land use plan seems to be an overwhelming decision package. This is even harder to deal

with because uncertainty of institutional arrangements has increased mistrust among stakeholders making it almost impossible to create options and to use integrative strategies focused on producing long term benefits.

In sum, the local urban policy network is consistently failing to address this problem and several actors keep playing hostile games and using distributive strategies. In these conditions, it is no wonder that Puerto Vallarta is losing competitiveness even within the regional market. As the city is becoming the center of a metropolitan area, other nearby small communities are attracting investment decisions and are selected by the most prestigious hotel chains opening new facilities in the region.

Meanwhile infrastructure is literally crumbling, the small town image of downtown deteriorates, urbanization is slowly but constantly eroding the environmental quality of mountain areas, no new competitive tourist products are launched, and the whole economy is on the verge of collapse due to overarching problems such as the H1N1 influence of 2009, the increasing perception that Mexico is an unsafe place, and the economic crisis that has reduced the flow of international tourists. What else is needed in this cocktail? A possible answer is innovative leadership, but such scenario is far form sight.

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