

## Networking and Cooperation Practices in Italian Touristic Business

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### Abstract

**Purpose:** The aim of the paper is to study the factors influencing the development process of networking collaborations between small and medium-sized in Italian touristic system. These businesses must choose the network because of the difficulty of growing and because they need to achieve competitive advantage.

**Design/Methodology/Approach:** The survey was carried out by administering a questionnaire addressed to a sample of travel agencies and tour operator affiliated to FIAVET (Italian Federation of Associations of Travel and Tourism Company). The analysis sample is made from 1.034 small and medium – sized enterprises.

**Originality/Value sustainability:** This paper aims to contribute to the recent studies on the management and governance of small and medium-sized tourism enterprises, with the effort to improve the competitiveness of small and micro enterprises. These studies are trying to identify the most suitable business formula in order to achieve the competitive advantage.

**Findings:** A network consists of actors who sometimes belong to related economic sectors. It represents an organizational model that can overcome the difficulties caused by the tourism offer fragmentation that exists in Italy and abroad.

**Limits:** The narrowness of the sample and the economic sector of the businesses interviewed suggest a number of new directions of scientific research that have not yet been adequately studied for tourism studies.

**Keywords:** Destination management; Destination governance; Network; Small and medium-sized enterprises; Competitive advantage

### Introduction

In the literature on management the touristic network concept has been the focus of the international scientific debate for many years. Despite this, to date we have not yet arrived at a widely shared definition [1-5]. Also, the scientific debate is wondering about the value that membership in the network generates over participants.

In general, it may be said that network model is based on the ability to activate cooperation and coordination relations, the ability to combine unique resources and skills and to foster the joint conduct of processes of production and provision of goods and services [6] between the organizations that make up the network nodes [7-10].

According to this vision the enterprise network can be considered as a valid alternative to a strategy of internal growth of businesses. In this way the network would allow the business realities to survive and to face increasingly complex competitive environments [11-13].

There have been numerous research papers that have deepened the strategic relevance of inter-organizational relationships or the competitive strengthening of small and medium-sized enterprises. Because of the sharing of resources and competences, the membership in a network allows to overcome the limitations related to small and medium size, often factors that hinder the development of innovation in some economic sectors.

The concept of network have been analyzed by the organizational theory focused on the theme of inter-organizational relationships. In particular, such studies have provided arguments on the causes and benefits about their creation and their implementation and they also focused on competitive and cooperative strategies implemented by the participants to the network, on conduct of business rules and on network institutionalization levels [14-16]. Despite the attention shown by scientific studies on the analysis of network, a specific analysis on the

complex dynamic that drives the development processes of networking collaborations between small and medium-sized tourism enterprises it is still missing. So, the aim of the paper is to study the factors which influence the development process of networking collaborations between small and medium-sized tourism enterprises. From this point of view, the paper aims to increase the literature and the studies on the network subject and to inspire reflection to policy makers of small and medium-sized businesses.

As in many other economic sectors, in tourism competitiveness is influenced by factors like:

- The widespread dissemination of ICT and its effect on supply and demand of tourism services;
- The development of managerial skills in the touristic field;
- The strong personalization of tourism products and services;
- The fact that tourists have a greater knowledge about international tourism destinations;
- The effort to enhance the capabilities of the traditional tourist offer.

The first part of the work proposes a systematization of the literature on the factors that influence the development of the networks

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in a dynamic view. The second part of the paper offers a survey made from 2200 tourism agencies and tour operators. The aim of the study is to analyze the factors affecting the development process of the network collaborations between small and medium – sized enterprises in the tourism sector.

### Framework research

In an increasingly competitive environment, businesses need to have an appropriate wealth of knowledge and resources to cope with fierce competition. This need has led to the specialization of companies and it has reduced the number and the type of knowledge and common assets. The collaborative process may be disturbed by factors as the high cognitive distance between individual companies and the simultaneous lack of resources to acquire new knowledge.

In this sense, network represents the best organizational model to promote the growth of small and medium-sized enterprises.

When a network has the ability to innovate and compete successfully it depends not only on the skills of the individual companies but instead it is based on the ability of the network to coordinate the relations of participating businesses. As supported by the management literature, the ability to oversee the dynamics of internal and external relations to the network is a way through which businesses can successfully compete with others in a hyper-competitive economy [4,14,17].

In the international scientific debate many studies have focused on the analysis of the evolutionary dynamics of the network and on the factors that influence their success over time [6,18-22].

Thanks to the interdisciplinary debate on network theory we can mention some important contributions that identify the evolutionary phases of the creation and development of inter-organizational relationship [5,23,24] as for example 1) the preconditions of exchange, or the reasons that led to the birth of the network 2) the building conditions for any form of relations between enterprises 3) the operation of the network, that presupposes the reaching of an agreement on the rules of future conduct and on the mechanisms to regulate conflict management.

### The process of creation and development of the network

The complexity and the increasing competitive market pressure stimulate the formation and development of inter-organizational relationships and they allow to acquire and exploit new resources and new knowledge, reducing the environmental uncertainty [25-27].

In particular, the network cooperation between small and medium-sized firms is crucial for their survival over time [28,29]. Network is a necessary organizational model for small and medium-sized enterprises to defend themselves from strong competitive pressures overcoming in this way the limited resources and knowledge that characterize them [30,31]. In other networks cases are founded to improve the competitive position of singular businesses and not in order to avoid competitive threats. In this way they are able to seize market challenges they could not face on their own.

In tourism sector, network was born to:

- 1) Improve the design and the promotion of tourism [32-35];
- 2) Develop a tourism service or product suited to satisfy an increasingly demanding consumer [15,36,37].

A basic prerequisite for the creation and the development of networks is the mutual trust between the parts of them. Trust is

crucial to ease relations between partners [38]. In inter-organizational relationships trust presupposes the confidence in the competence of counterparty, not only the correct behavior of the participants [22]. The interaction is facilitated when trust between participants has been proven yet through prior experience of collaboration [6,39].

### The selection of potential partners and the network governance

After talking about the network creation and development phases, it is important to mention the fundamental role of the promoter of the establishment of the network. In particular, the coordination and cooperation ability of people is considered the determinants of long-term success of a relationship [40-42]. Therefore it becomes necessary to start a series of strategic activities aimed to increase negotiation to select and reunite into a network participants willing to cooperate on a joint text even they had no previous experience of working together [21,31,43-45].

The promoter of the network (who could be a small business owner or group of entrepreneurs) leads the early stages of network creation trying to persuade others in a small and medium sized firms project of network.

In this context, it should not be underestimated the role of the network governance: when network evolves governance become very relevant, because it has to foster coordination and control of the parts within the network and to define a strategic direction focused on relational rents. As far as the property dimension, governance can be characterized by:

- a) Partners who share or exchange capital or partners who create new entities beside an investment of network participants
- b) The presence of contractual elements that do not involve the exchange of capital (f. e. joint ventures, licensing) [46];
- c) Mechanism that help reduce the potential opportunism of the parties [47] like the creation of team and task able to enforce the trust between network participants [48].

Over the distinction between the governance mechanisms considered most suitable, the choice of each individual within the processes of cooperation between enterprises depends on a) the level of trust between the players involved b) the purpose of inter-organizational relations c) the symmetry of assets between partners, d) the amount of capital and knowledge investment in the network, e) coordination costs.

### Network benefits

The network organizational model allows every enterprise in it to enjoy the same benefits it would receive if they had bigger dimensions or if they had formal and permanent links with other companies; because of the network structure businesses do not lose their strategic and economic autonomy. These organizational forms can condition enterprises competitiveness, for example by increasing the productivity of firms that are part of the network itself, or by facilitating access to procurement markets of economic and human resources. In the specific case of tourism business the benefits of belonging to a network can be classified in the following:

Economic benefits: differentiation or diversification of tourism offer, personalization of the tourism product according with the specific needs of customer segments, growth through expansion or integration

into new markets, design of tourism products through exploitation of territorial resources [10];

- a) Benefits of design and tourist services/product development: more access to sensitive information with the activation of Intelligence and, greater efficiency and effectiveness in production processes (purchases, supply, marketing and sells), cost optimization [36].

Belonging to a network may favor the development of innovation of the participants tourism businesses; it can also stimulate the formation of new businesses operating in alternative markets because in the network it's easier taking advantage of new knowledge and activate new customer contacts and tourist institutions [10,13,16].

## Research Methodology

The survey was carried out by administering a questionnaire addressed to a sample of travel agencies and tour operators affiliated to FIAVET (Italian Federation of Associations of Travel and Tourism Company). FIAVET is the trade association par excellence of Travel Agencies and more generally of tourism businesses in Italy. The total number of Italian companies travel agencies and tour operator affiliated to FIAVET is 2,500 units. In detail, the test sample consists of 2.200 enterprises and it has been defined considering only small and medium-sized companies (less than 250 employees and a turnover of less than 40 million euro per annum). The questionnaire was administered in the period from January to February 2016 by using the email tool.

The compliance rate from respondents was equal to 47% so 1,034 completed questionnaires. The questionnaire was structured in a battery of questions, mainly multiple choices, simple and graded according to a specific weight to be assigned to each answer. The interviews used a few open questions, mostly about a lived experience as well as to check any requirements in terms of network relations. The questionnaire has been essential to analyze the following aspects:

- a) Identify companies that have started or want to start partnerships with other companies and define the reasons for this strategic choice;
- b) Define the particular type of cooperation to be activated (horizontal and vertical);
- c) Defining the critical elements that have characterized the process of creation and development of the networking cooperation;
- d) Define the objectives to be pursued through a cooperative relationship.

The analysis of these aspects is necessary to analyze the factors affecting the process of creation and development of networking collaborations between small and medium-sized enterprises operating in the tourism sector.

## Results

Taking cognizance of the survey results, it would appear that micro and small enterprises as compared to medium-sized enterprise would be more interested in establishing networking partnerships.

In general, according to the interviewed companies, the network activation does not presuppose a clear organizational economic awareness: it prevails an idea of informal and temporary relationships, born contingently compared to a specific situation, in which prevailed the logic of cooperation.

A critical aspect that has emerged from the survey is the need to control and coordination of the network enterprises: in fact it is important to determine whether the network is coordinated by a central unit with strategic decision-making power or if there is less centralization by one enterprise and decisions are taken according to an egalitarian logic.

The 54% of the sample firms recognize the importance of networking collaboration especially in the customer – supplier chain: the main network experiences are in fact related to relationships with partners as all the tourism service provider with which cooperate to achieve the biggest tourist satisfaction. The 23% of companies surveyed shows less customary to cooperate with competitors, perceiving them as competitors to beat, or from which to distance. In this way the businesses lose the potential advantages of the cooperation agreements concluded between competitor companies.

Furthermore companies surveyed identify the customer-supplier network as a model that involves collaboration with five companies or more with which they have a subcontracting relationship. With this structure the network organization requires less formalization both of the new organizational dimension of both contractual and corporate issues. So it would stimulate the surveyed companies to seek unofficial channels and not spell out the relations on the strategic and the economic level.

The 30% of surveyed firms said that the main collaboration reasons are commercial as enlargement of the variety of tourism products both as an access to new markets / customers. On the contrary, it is widely agreed by all the companies surveyed upon that there is resistance to enable collaborative relationships to share objectives. This would require a high degree of mutual trust. From the data collected it is then evident that between the potential of the network are not taken into account those about the economic risk sharing which could ease the management responsibility of the individual company.

If we examine the types of cooperation network chosen to operate on the market it is understood that the network culture is still uncommon: in fact, 80% of companies surveyed did not rely on any form of cooperation while only 10% and 6% of them chose the commercial distribution networks. This information confirms that the network forms tested are provisional: in fact, the surveyed enterprises prefer to establish more weak ties that facilitate the achievement of production goals while maintaining a space of action and autonomy of the individual enterprise: collaboration agreements which provides greater formalization and consolidation of cooperation are less present, precisely because they tend to stabilize over time and then to require a greater commitment in terms of resources used.

An interesting aspect that emerged from the survey is that 30% of the companies investigated declares its interest in the activation of cooperative relationships with other interlocutors of the market, which are not part of the customer – supplier chain, so they would be partner who hold skills required by tourism businesses (horizontal networks). Horizontal networks are perceived as alliances with competitors to enter into agreements for the control of sales areas and for the determination of prices. In contrast 40% of the investigated enterprises declares the interest for the activation of vertical collaboration relationships. The main criteria that lead companies to choose the network of suppliers (vertical networks) to collaborate with. This shows that the activation of collaboration relations presuppose mutual trust between the partners.

Regarding the benefits accruing from vertical cooperation networks, almost all of the companies surveyed declared that the

network activation was necessary as a tool to increase the turnover, 0% considers it essential tool to access new markets and 70% as a launching tool innovative tourist service/products.

If such a request is compared with the time to know the reasons that led the activation of collaboration, we notice that expectations related to the network are to achieve a significant undertaking economic development and an expansion of the market, and they were partially met.

The 40% of the surveyed companies has confirmed the difficulty of testing forms of formalized participation, based on non-verbal or temporary contracts agreements limited to the duration agreed between two or more cooperating firms: these companies show interest to enable temporary contracts that, for the period of cooperation, ensure a higher protection. The largest number of contracts, compared to solutions that do not give any kind of reassurance indicates that the overwhelming choice concerns intermediate tools, measures to ensure compliance with specific standards, but at the same time not binding for an excessively long time. When considering the horizontal collaborations, the criteria considered more important on the basis of which identify partner businesses are: how to understand and treat the customer (60%) and the supplier's quality (68%).

Finally, the problems faced by surveyed enterprises should not be underestimated for the partnership planning and for the design and implementation of technological infrastructure. The 30% of the companies surveyed said that it is necessary to establish rights and duties between each company within the network; it will be most felt in horizontal networks when it is missing or not clearly defined a coordinating body. Therefore it is difficult to protect the position that each will play in the network. The relevant aspect is not to determine the roles and tasks but to express them to the specificities of each company and the relationships between these established.

How? By not exaggerating the interdependence between the collaborating companies and relying on centralized management able to preside without limiting the free initiative of each company. Then, as regards the implementation of the technological infrastructure 90% of the companies interviewed considered it appropriate to have centralized management of data, equipping them self with shared procedures and of an information system able to communicate in a timely manner.

## Conclusions and Limits

The paper is an opportunity for reflection on the competitive potential of networking collaborations among small and medium-sized enterprises operating in the tourism sector.

The review of the literature discussed in the paper argues that small and medium-sized enterprises can be competitive if they are able to generate and guarantee over time a tourist experience greater than that offered by other local contexts and other competing tourism businesses.

An important aspect that emerged from the survey shows that all companies surveyed are interested in collaborating with other firms, competitors and not. The network represents a necessary choice or small and medium enterprises that aim at achieving growth. His shows that the benefits experienced or reported by others are superior to the disadvantages and especially that the overall size of the tourism business push to activate cooperative relationships needed to survive in an increasingly competitive market. Why? Through cooperative relationships companies have the ability to share technological and

production resources, plan with others new business strategies and especially they have a different chance to design new tourism products and services.

As in all economic sectors, in the tourism sector competitiveness is influenced by particular phenomena such as a) the widespread diffusion of ICT and its effects on supply and demand of tourism products and services, b) the development of management skills in the tourism sector, c) the strong personalization of tourism products and services to meet the most sophisticated needs of tourists, d) a greater knowledge of national and international tourism market and of the tourist who requires increasingly sophisticated tourism products and services, e) the need to exploit the area's resources to enhance the capabilities of traditional tourism offer. Therefore, the competitive advantage of tourism businesses depends on the allocation of resources available and the ability to enhance over time activated relations.

The narrowness of the sample and the economic sector of the companies surveyed constitutes a limit to the work and therefore it is considered appropriate in a future research perspective, complement the work done so far by analyzing all the tourist businesses in order to discover new opportunities, raising critical issues and especially highlighting appropriate government actions.

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