ASSESSING THE VALUE OF COLLABORATIONS IN TOURISM NETWORKS: A CASE STUDY OF ELKHART COUNTY

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1. Introduction

Today, tourism industry operates in an extremely dynamic and hypercompetitive environment. Global competition, rapid technological change, and empowered customers affect the way tourism organizations manage and compete. Survival in such a dynamic and challenging environment requires substantial collaboration and coordination among the various players within a destination (Wang & Fesenmaier, 2007). As such, the need for collaboration between various entities in destinations has long been emphasized in the tourism literature (Wang & Xiang, in press). Tourism is a complex phenomenon that cannot be explained by conventional economic or business logic. In a traditional sense, an industry can be understood as a number of firms that produce a limited set of products and services and compete with one another for customers and resources (Wells, 1989). Tourism organizations, however, find themselves in co-opetition with other tourism agents as they not only compete with each other, but also collaborate to create complementary goods and services (Tsai, 2003). As such, the success of a destination depends on the seamless coordination of the players comprising the tourism value chain to provide a wholesome and memorable experience to the tourists. The dynamic relationships between tourism-related organizations, put together with the notion that visitors' tourism experience, is evaluated holistically rather than piecewise, indicates that a destination has to be always evaluated as a single product.

Extant literature in tourism has discussed collaboration in a variety of contexts such as marketing alliances (Palmer & Bejou, 1995; Wang & Xiang, forthcoming), tourism policy making and sustainability (Vernon, Essex, Pinder & Curry, 2005; Dredge, 2006), destination development (Jamal & Getz, 1995) as well as learning and knowledge sharing among tourism organizations (Yang, 2007). However, collectively, these studies have failed to provide coherent theoretical models that can be applied to examine the complexity of destination collaborations (Wang & Fesenmaier, 2007). The current study attempts to fill this gap whereby the authors adopt theoretical perspectives from strategic management and social networking literature to develop and test a model to assess the value of collaborations within a destination.

2. Literature review

2.1. Inter-Organizational Collaborations

Conventional business logic suggests that performance superiority is a consequence of the relative superiority in the resources a business deploys (Porter, 1980; Schoemaker & Amit, 1994). These resources in the form of both assets and capabilities reside primarily within the firm (Day, 1994). However, there is increasing evidence suggesting that superiority in performance may result from a synergy of a series of value adding relationships developed between individual organizations (Gulati & Singh, 1998). Such inter-organizational collaborations have been typically studied using the lens of transaction cost economics (Williamson, 1987), strategic management theory (Prahalad & Hamel, 1990), or the network theory (Gulati, 1998). This literature indicates that independent firms tend to develop dyadic relationships to gain complementary resources they do not possess themselves. In addition, it is argued that through collaborative relationships organizations have access to a wider stock of knowledge, more experience, and additional business opportunities; simultaneously organizations can better their dependence on other organizations (Pfeffer & Salancik, 1978). Following Wang & Fesenmaier (2007), it can be assumed that individual tourism organizations' inducement to collaborate at a dyadic level is reflected by the relationships within a destination. The literature focusing on networking and sociological aspects of firm relationships, however, suggest that in a particular business environment, dyadic interactions are embedded within a larger network that has a significant influence on individual organization's behavior (Granovetter, 1985; Gulati & Gargioulo, 1999). In fact, as Salancik (1995; p.345) pointed out, the network perspective of organizational relationships tends to correct a tendency in the classical economic theory which "focus[es] more on trees rather than the forest, on the actions of individual organizations rather than on the organization of their actions". Interestingly, collective networks are known to create inimitable and non-substitutable values as well as constraints based on network membership, structure, and tie modalities (Gulati, Nohria & Zaheer, 2000). Together, these two perspectives provide an understanding of each individual relationship between organizations as well as their interplay and impact at the aggregated network level.

2.2. **Value of Collaboration**

Inter-organizational relationships and networks in tourism are significant sources of resources, competencies, and innovation (Hjalager, 2002). However, tourism destination networks consist of several stakeholders, with varied characteristics and changing membership. In this dynamic environment, the development, maintenance, and continuance of inter-firm relationships requires certain amount of effort from the participating organizations in terms of deploying financial and human resources, building trust and commitment, and expending managerial time and effort. The simultaneous existence of both costs and benefits of relationships is driven by various factors that are both within and outside of organizational boundaries. Therefore, it is hypothesized in this study that three dyadic level factors, collaboration complexity, partner heterogeneity and partnership equilibrium, and three network factors, resource overlap, dominance, and embeddedness, interact continuously to influence the costs and benefits of the relationships.

a. **Dyadic Factors**: Collaboration is often motivated by the desire of both parties to develop a relationship and accomplish a task that could not have otherwise been undertaken by each organization individually. As the complexity of the collaboration increases, the need for management and coordination also increases for the organizations involved (Gulati & Singh 1998). This complexity is generally defined, first, by the scope of collaboration in terms of range of services included; and second, by the extent of direct involvement of the partners in performing the day to day functions required for the collaboration (i.e. intensity). For instance, two organizations coming together to develop a new and exciting tourist package requires a higher level of commitment interms of resources and manpower than a co-branding campaign. Similarly, differences in resources and capabilities can be one of the primary reasons why organizations collaborate with each other as both try to access complementary resources. Heterogeneity involves the differences in organizational visions, structures, and management practices that can generate significant tensions for partnering organizations (Parkhe, 1991). As such, heterogeneity is a threat to collaboration, as it requires partners to mutually agree on fairness of mechanisms, investments of resources and risk sharing (Kumar & Nti, 1998). Therefore, it is hypothesized in this study that heterogeneity has significant impact on the costs and benefits of the collaboration. Similarly, partnership equilibrium is defined as the Partner's judgments regarding the fairness of mechanisms, investments of resources, and sharing sufficient level of risk. Since partnership management is ultimately a social mechanism, researchers have suggested that perceptions of the managers regarding reciprocity in resource allocation, as well as the balance in risk and benefit sharing have a significant impact on the value (Kumar & Nti, 1998)

b. Network Factors: While dyadic factors play an important role, it has to be acknowledged that these relationships are a part of a larger social system within the destination. Being part of a social network has a significant impact on the value of the relationships. One prominently cited aspect of a network is the notion of embeddedness, which is defined as the extent to which a firm is embedded within the network, and the extent of positive experiences a firm has by participating in the network (Granovetter, 1985). While embeddedness is known to have a positive impact by facilitating tie strengthening and tacit knowledge flow (Camagni & Capello, 2000), it also has a negative effect in terms of making the organization vulnerable to exogenous shocks or insulating them from resources that exist beyond the network (Uzzi, 1997). This is also closely tied with the dominance of an organization within a network. There is increasing evidence that network dominance leads to strong positive feedbacks and increasing returns of scale. That is, a dominant organization attracts high preferential linkages, and increases subservience of the partners (Katz & Shapiro, 1994). Similarly, a dominant partner increases the legitimacy and stability of the relationships, thereby driving benefits for the focal organization (Venkatraman & Lee, 2004). Another important factor related to networks is the issue of resource overlap (Van de Ven, 1976), which refers to the extent to which other organizations in the network who similar resources and have similar customers. Overlap has significant impact on the competitive intensity in the market and constrains individual organizations in their economic action. Even though resource overlap connotes a negative impact, Stuart (2000) identified its benefits to increase competitive intensity and drive innovation.

3. Conceptual model

Based on the literature discussed above (see Figure 1), it is hypothesized that three dyadic level factors, complexity, partner heterogeneity, and equilibrium have a significant impact on both costs and benefits of the collaborations. At the same time, three network level factors, resource overlap, dominance and embeddedness will moderate the impact of dyadic factors. The dependent constructs are the costs and benefits of the collaboration. Cost is defined as a multidimensional construct consisting of opportunity cost, resource lock in, and time and effort expended in managing the relationships. Benefits include the extent to which the relationships have enabled innovation in product/service and process/technology, market expansion, and customer/tourist satisfaction. Last, it is hypothesized that costs and benefits are integrated into a single construct - the value of collaboration.

4. Methodology

The conceptual model provided the foundation to examine the structure, and assess the value of the collaborations between various tourism related organizations operating in Elkhart County, Indiana. Within the northern Indiana region, the Elkhart County convention and visitors bureau (CVB) is recognized as one of the most successful ones in both marketing the destination as well as creating and maintaining relationships with other organizations. A list of 207 partner organizations was obtained from the bureau and then evaluated by the bureau CEO and destination development manager. The evaluation was based on social network analysis to identify partners that are perceived as important by the DMO. The partners were grouped in terms of: (1) the strength of the relationship based on frequency of interaction and extent of the relationship (i.e. the level of cooperation/ mutual partner integration) (Brass, Butterfield & Skaggs, 1998; Brass, 1995), (2) the reciprocity of the individual partner's contribution to the destination (Brass, 1995), and (3) the continuous preservation of the partnership (Cullen, Johnson, & Sakano, 2000). A list of 103 bureau partners was then selected that ranged in value from high to low on the three constructs. A more comprehensive survey instrument was developed that included 34 items to measure the constructs discussed in the previous section. Organizational demographic variables such as firm size in terms of number of employees, and age of the organization were also collected and used as control variables.

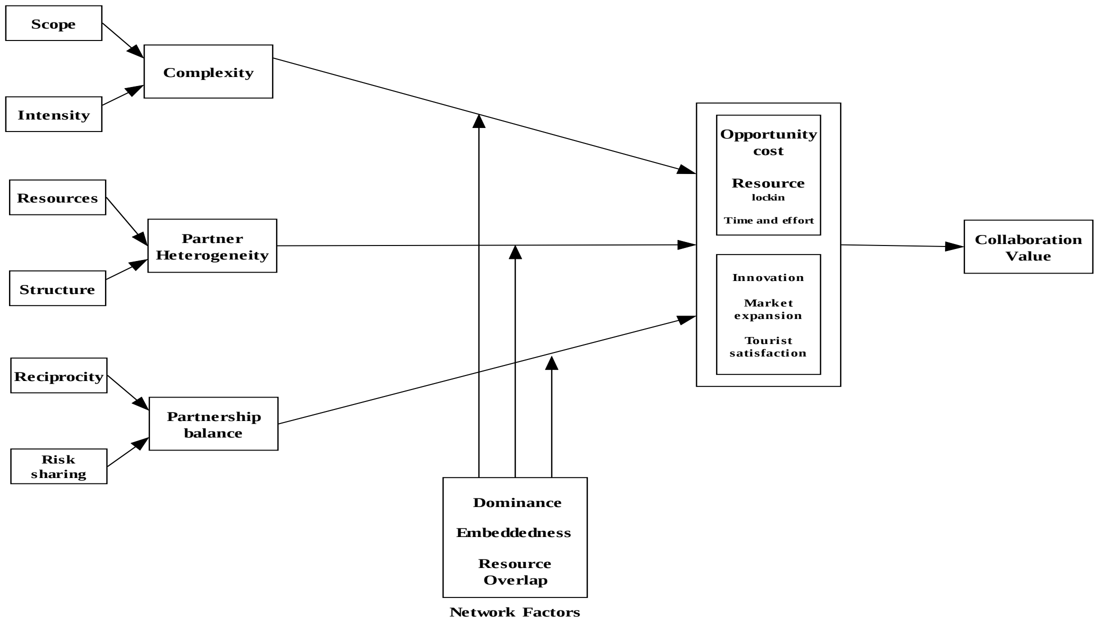

Figure 1: Conceptual model for assessing collaboration value in tourism networks

It is important to note that the study relies on single informant perceptions, which is consistent with other studies. In completing the survey, the respondents were asked to base their answers with reference to any three partners with whom they have collaborated in the recent past. This provides a strong framing in terms of the responses desired for this study. The conceptual model was assessed using maximum likelihood estimation of a structural equation model as implemented in Amos 6.0.

5. Results

Two structural equation models were tested. First, the dyadic firm factors were evaluated in order to assess the impact of partnership specific conditions on the value of partnerships. The model resulted in an adjusted goodness of fit (adjusted for degrees of freedom) of 0.893, indicating a high level of fit for the model. The model is further supported by a low root mean square residual (RMR) of 0.0921. The value of partnerships was mainly explained by partnership balance and partner heterogeneity. Complexity of the relationship only had minor impact on partnership value. In a second analysis, the overall network factors were added to the model in order to examine the value of partnerships within the context of the partnerships in which the CVB engages. The moderating effect of network factors leveraged the impact of all dyadic factors. Dyadic partnership complexity was impacted the most, as it rose to the second most important factor influencing the value of partnerships. Partner heterogeneity remained as the most important factor, whereas partnership balance was only had minor impart on the partnership value.

6. Conclusion

It was posited in this study that inter-organizational collaboration in a tourism destination are influenced by both network level and dyadic/firm level factors that ultimately drive the economic action of the individual organizations. The findings in this study suggests that the value of partnerships are mostly explained through the similarity of partners in terms of resourced and structure, as well as through the scope of the partnerships. Especially, the more services provided by both partners, and the more dissimilar these services are, the higher is the value of the partnership. The contribution of this study is at two fold. First, this study provides a theoretical framework that attempts to fill the considerable gap in tourism literature regarding destination collaborations. Second, it provides a practical evaluation model for tourism organizations to closely examine the nature, structure, and the value of their partnerships. In a continually shifting business environment, tourism organizations are forced to regularly revise their strategies to develop and sustain effective collaborations. In this context, it is important to understand the social and economic mechanisms that drive collaborations and their overall impact on the competitiveness of the destination. The current study is a first step in the direction to create a significant body of knowledge in this realm.

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