

MANAGING INTER-FIRM COOPERATION TO IMPROVE TOURISM DESTINATIONS: A CLUSTER APPROACH

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Abstract

The researcher examines the existence and nature of inter-firm relationships between tourism stakeholders within various Bulgarian tourist destinations and how they relate to the competitiveness of the destination. The purpose of the study is to analyze the degree of cluster relationships and their importance for the strategic management of tourist destinations. In the course of the study representatives from 16 Bulgarian regions were interviewed and asked about the level of cooperation between the tourism participants. Based on this data the regions were grouped according to the level of perceived cluster collaboration, as well as according to the importance given to this cooperation. As a result, inferences about the key obstacles, as well as key factors and best practices for increased cooperation in tourist destinations can be made and can be incorporated into future development policies. The analysis indicates that the majority of the Bulgarian municipalities realizes the benefits of cluster relationships but so far have not been able or willing to extract any benefits from them. There is a need for a high profile tourist destination that can serve as an example of good strategic positioning achieved through the formation of clusters, public-private partnerships and increased inter-firm cooperation on the local level. Managing networks is an essential managerial challenge for the contemporary tourist destination. Understanding clusters, their structure, processes and development is essential to the successful strategic management of a tourist destination in the 21st century.

Key words: *inter-firm cooperation, management of tourist destination, tourism cluster, tourism network.*

Introduction

During the last decade the global tourism market has significantly grown in terms of number of tourists and average spending. The tourism sector is an important contributor to the world GDP and it is rising fast. In our post modern society tourism has helped to address many economically and socially relevant issues in regional growth and has become a key tool for sustainable development and diversification. But in the midst of mounting international and regional competitiveness, some of the traditional approaches to regional development in all industries, including tourism, have become inadequate. More and more researches are focusing on the advantages stemming from co-operation and the benefits of cluster formation. Networks and cluster relationships are a significant part of the development of intangible capital and are a major focal point for much contemporary discussion of regional development (Hall, 2004). Destinations are some of the most difficult entities to manage and market, due to the complexity of the relationship of local stakeholders (Sautter and Leisen, 1999).

The intensity of links in a given cluster is one of the main methods for analysis of the industrial cluster. There are both external (i.e. external to the cluster regions or industries) and internal links within the cluster. The analysis includes both the intensity of the commercial and non-commercial relations. Commercial relations are often calculated by indicators of sales

(forward relationships) and purchases (backward relationships). The indicator for the intensity of sales is suitable for comparison between different clusters or between periods of activity in the same cluster in order to track its lifecycle. Besides sales and purchases, firms in the cluster share information and experiences, conduct joint activities to achieve economies of scale and scope, work for the preservation of traditions and values of local society and thus reinforce the cohesiveness of the cluster, and hence its competitiveness. Those non-commercial relations are the focus of this research.

Despite the evident advantages from cooperation between the firms, many tourism destinations lack the foundation for successful strategic and operational management and do not have a shared vision for future development or even common goals. The research aims to examine the level of cooperation between tourism participants in Bulgaria and to later compare it to more advanced foreign tourist destinations. The diagnostic of the current situation can serve as a good starting point for regional and national strategies for increasing local competitiveness.

The focus of the research is the overall impression of key participants in the tourism sector regarding the inter-firm relationships within tourist destinations in Bulgaria based on two dimensions. First is the perceived importance of cooperation amongst both competing and complimentary firms, and the second dimension is the evaluated current state of this cooperation.

Methodology of Research

General Background of Research

The researcher examines the topic of increasing the competitiveness of tourism enterprises through their participation in clusters. Investigation of the overall forms and developmental tendencies of clusters in the Bulgarian tourism sector has been undertaken as a response to the ever increasing attention to the cluster approach in both the academic and political life. According to the National Strategy for Cluster Development “as a less favoured region (GDP, low public sector spend, population outflow and nature of the economy) to understand the advantages of a cluster-based approach and the processes required, with supporting measures needed, is absolutely vital.” While there have been some attempts in the past to apply the cluster approach in the development of selected regions in the country, the concept is still quite unfamiliar to most people in the sector. To better understand the structural properties of networks and clusters in Bulgaria, this paper seeks to analyse the nature of relationships between the tourism stakeholders in various municipalities of Bulgaria. The nature of those relationships is a key factor for cluster formation and for sustainable development of the destination, and therefore are the focus of this research.

Sample of Research

Participants in the research were a variety of tourism stakeholders across Bulgaria. The research included representatives from both the government and the private business and the standardized, open-ended interviews were used as a primary data collection instrument. Interviews were conducted with representatives from 32 government institutions, non-profit organizations, associations and private enterprises. The respondents were interviewed face-to-face during the Holiday & Spa Expo 2011 – Bulgaria’s main travel and tourism fair. A semi-structured and open structured interview format was used. The municipalities were chosen depending on their availability and willingness to participate, but the goal was to be as inclusive as possible i.e. to include sea and mountain resorts, big and small cities, historical and nature

attractions, popular and less visited destinations.

Instruments of Research

The respondents were interviewed face-to-face during the Holiday & Spa Expo 2011 – Bulgaria’s main travel and tourism fair. A semi-structured and open structured interview format was used.

The key questions posed for the purposes of this stage of the research were: “How would you rate the degree of cooperation and communication amongst the tourism participants in your region and do you consider this cooperation to be important?” The respondents had to give orally an assessment on the scale from 1 to 5. A score of 1 shows a very low level of cooperation and communication, and respectively low level of importance, while a 5 is a perfect score on both dimensions.

Data Analysis

The results of the research are analyzed through the use of Importance-Performance Analysis (IPA), which is one of the methods for evaluation of a cluster. The technique of this analysis, introduced by Martilla and James (1997) identifies strengths and weakness by comparing the two criteria that consumers use when making a decision: the relative importance of the quality of the product or service and the evaluation consumers give to the product with respect to those qualities. Customer satisfaction is examined as a function of both expectations of certain essential attributes and an assessment of their application. When analyzed separately, data on the importance or performance are not as meaningful as when taking into account both (Graf, 1992). Barbieri (2010) reviews the literature in tourism where the IPA method was used to assess the quality of the services of tour operators, accommodation and other tourist services (Chu & Choi, 2000; Ekinici et al., 2003; Zhang & Chow, 2004), the destination image (Joppe et al., 2001; Lee & Lee, 2009; O’Leary & Deegan, 2005) and niche markets such as spa tourism and culinary tourism (Mueller & Kaufmann, 2001; Smith & Costello, 2009).

Results of Research

Figure 1 shows that the representatives from all municipalities realized the importance of the interaction between tourism businesses.

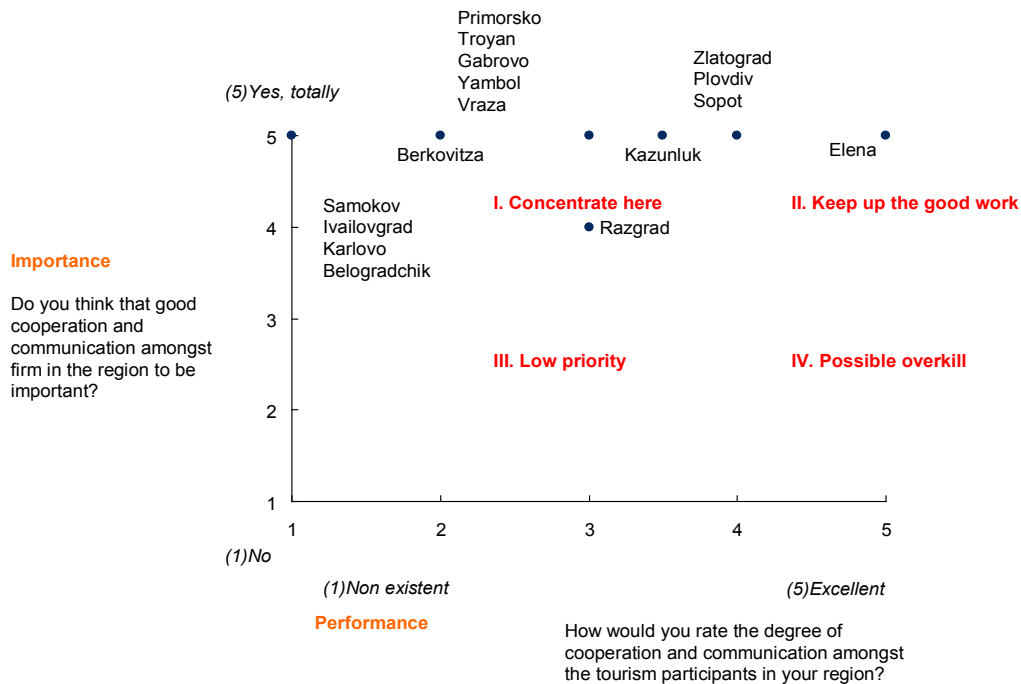


Figure 1: Importance-performance analysis of the cooperation and communication between enterprises in selected municipalities of Bulgaria.

All (except one municipality) placed the highest grade 5 in response to the question whether it is important to have good communication and cooperation between the enterprises in the region. They realize that tourism companies have a lot to gain if they join or even just co-ordinate their efforts better. In their opinion, the individual companies would benefit from outside help in order to enrich the product with additional goods and services. According to the respondents, advertising the destination as a whole definitely would increase the total number of tourists, which would be beneficial for all participants, and efforts to influence government agencies or private associations such as improving infrastructure would improve the quality of the tourist product. What is also interesting about the results in Figure 1 besides the almost unanimous rating 5 about the importance of cooperation is actually the low results with regard to the assessment of the existence of good relations within the destination. To the question “How would you rate the level of communication and cooperation between tourism enterprises in the region?” 25% of respondents give the regions the lowest possible score 1, i.e. almost no presence of any communication between tourism enterprises in the region. 6% estimate a score of 2 and 38% rate the collaboration between companies as “average”. Since the relationships in the cluster or destination is a key determinant of its development, we accept as satisfactory assessment of good cooperation only estimates over 4. Actually, only 19% of the municipalities have given a score of 4 and only 6% gave a rating of 5, which is actually a single municipality.

Discussion

When the API “target” of 4 is applied to Figure 1 (for the convenience of the reader it is marked in red here) one can clearly see that almost all municipalities fall into the quadrant “Concentrate here”, i.e. the level of performance according to the selected criterion is low, while

its degree of importance is high. Since this is the quadrant of the possibilities for improvement, it is essential to focus on the reasons for the current situation and analyse the potential for improvement.

The tourism sector is characterised by the interdependencies of its different participants, and therefore the importance of networks and cooperation in tourism is even greater than that in other industries. The fragmentation of the sector and the generally small size of the tourism enterprises are additional factors which require a high degree of interdependence in order to provide a coherent supply of tourism products. Weaknesses in the coordination of supplying a tourism product and failure to perform on a single aspect can lead to overall customer dissatisfaction and high probability that the tourist would not return to the destination. Therefore the low level of cooperation between the tourism stakeholders in Bulgaria should be an area of concern for the industry and for the policy makers since tourism is an important contributor to GDP.

The respondents cite various reasons for the lack of coherent relationships and cooperation in the regions. The most commonly cited reason was lack of confidence in the good intentions and positive outcome of potential cooperation, followed by the lack of a prominent leader firm (a larger company and/or companies with foreign participation) who can bring together the smaller and more skeptical firms. Trust is essential for the operation of a network since it helps the enterprises in it to grow and adopt to changes through knowledge sharing and synergies. Collaboration involves exchanging information, altering activities, sharing resources and enhancing the capacity of another for mutual benefit and to achieve a common purpose (Huxham, 1996). In order to establish sustainable relationships, the participants in the tourism sector need to trust one another and to combine efforts in strengthening the tourism destination. To some extent smaller business are struggling to survive in the environment of economic crisis, short seasons, mass tourism and heightened consumer expectations regarding accommodation and food, and therefore they do not have much time for strategic thinking. In order to rekindle growth and to create new opportunities there needs to be willingness by the tourism participants to try new approaches to destination management, for example the cluster approach of increased cooperation combined with healthy competition. A well functioning net of tourism actors increases the competitiveness of the individual players and the degree of influence they have over the development of the destination, including over policies which would affect the region. The results of the survey show that the tourism participants in Bulgaria acknowledge that cooperation amongst themselves enhances the region's tourism supply and attracts more visitors. But currently there is still a lot to be desired in terms of inter-firm communication, community involvement and participation and overall trust in the process of cluster formation.

On one hand it is optimistic that there is room for improvement in the Bulgarian tourism, but on the other hand it is unfortunate that just a single municipality has scored in the quadrant "Keep up the good work". It is important that best practices from this and other municipalities abroad be implemented in more regions of the country. There are plenty of locations which could be used as examples and for comparative purposes. An important aspect of the government involvement in fostering clusters should be facilitation of the knowledge sharing among the destinations. It is important to explain how businesses can optimise the prospects for growth through cooperation and how they can extract the benefits from jointly promoting and managing a tourist destination. Intervention policies can range from organizing of conferences on the topic to financial support for cooperative arrangements or support in developing a long-term regional strategies and development plans based on cooperation which will be in line with local needs and values. For optimum results it is necessary to consider the opinions of both the private and the public sectors, which must join efforts to improve the results of the quadrant "Concentrate here". The analysis of successful cluster formations in tourism

serves to emphasize the role played by small business operators in building a level of mutual interaction and trust to create the dynamic alignment of complementary activities that expands the economies-of-scope and the breath-of-product offerings within a local environment that better meets consumers' needs (Michael, 2007).

Conclusions

A better understanding of the current state of cluster development and relations in the Bulgarian municipalities is essential for the long-term sustainable development of the industry. The results of the survey show that a big gap exists between the desired level of cooperation and the actual integration level of the tourism players in Bulgarian tourism. Numerous factors have an impact on tourists' perception of a destination and on their satisfaction. This underscores the need for strategic and integrated planning of the destination, which relies heavily on the coherent cooperation and communications amongst its participants. A key reason for the interest in collaboration and networks in tourism development is the idea that tourist destination can gain competitive advantage by bringing together the knowledge, expertise and other resources of their stakeholders (Kotler et al., 1993). The tourism providers realize that there are clearly identifiable benefits that can be achieved through the network process, which delivers gains both to the tourist destination and to the individual players. But this research shows that the degree of interdependence of stakeholders in the majority of Bulgarian tourist destination is far below the optimal level. Lack of trust, no opportunity for best practice sharing and lack of local leaders are some of the reason why cooperative relationships are rare in the surveyed regions. By carefully evaluating the determinants and barriers for cooperation, a foundation for a shift in the behavior of touristic enterprises can be laid down. In addition, best practice sharing and visible results and positive early outcomes are very important factors which help the local stakeholders to recognize the benefits of cooperation and cluster formation. Awareness of the existing interdependencies and the potential for improvement is a solid first step to strengthening of the destination competitiveness.

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