

# **DETERMINANTS OF TOURISM NETWORK SUCCESS : THE CASE OF PENANG**

**By**

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## **Dedication**

To

My dearest brothers and sisters in Christ,  
whose prayers and encouragement have sustained  
the faith in me throughout this MBA programme,

and

my ever supporting family members.

Thank you.

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## **ABSTRAK**

Tujuan kajian ini adalah untuk menyelidiki ciri-ciri rangkaian kerjasama yang berjaya dalam industri pelancongan di Pulau Pinang dan juga mengkaji kesan faktor-faktor prestasi rangkaian dari segi prestasi perniagaan dan organisasi. Faktor-faktor yang terpilih dalam kajian ini ialah kepercayaan, komitmen, komunikasi, perkongsian maklumat dan konflik yang ditanggapi. Usaha juga dibuat untuk mengukur kesan perantaraan bagi tahap rangkaian kerjasama dalam perhubungan antara faktor-faktor yang terpilih dengan prestasi rangkaian. Rangkakerja yang dibentang di sini, juga diuji oleh 90 responden daripada pelbagai pengusaha pelancongan setempat di Pulau Pinang. Dapatan analisis menunjukkan bahawa pada tahap tertentu, komunikasi, kepercayaan, komitmen dan perkongsian maklumat sememangnya berupaya menjadi faktor penentu prestasi rangkaian. Hasil kajian juga menunjukkan dengan selanjutnya bahawa tahap kerjasama antara peserta pelancongan mempunyai kesan perantaraan terhadap impak keempat-empat ciri atas keseluruhan prestasi kejayaan rangkaian, berdasarkan dapatan. Kajian ini menyimpulkan bahawa para peserta pelancongan di Pulau Pinang perlu fokus dengan efektifnya terhadap komunikasi, perkongsian maklumat, kepercayaan dan komitmen mereka untuk meningkatkan tahap aktiviti kerjasama mereka, yang seterusnya akan membawa kepada kejayaan rangkaian pada keseluruhannya dari segi pertumbuhan perniagaan dan kepuasan prestasi yang ditanggapi.

## **ABSTRACT**

The purpose of this study is to investigate the characteristics of the successful collaborative networking in Penang tourism industry, and the effect of these factors on the network performance in the form of business and organizational performance. The factors selected under this study are trust, commitment, communication, information sharing and perceived conflict. An attempt is also made to measure the mediating effect of the extent of the collaborative networking on the relationship between the selected factors and the network performance. The framework presented here is tested with 90 respondents from various business categories in this tourism industry. Results obtained from factor analysis, reliability test and regression analysis, study suggest that communication, reliance (trust and commitment), information sharing do to some extent provide predictive power of the network performance. The findings also further indicate that the extent of collaboration among the tourism players has mediating effect on the impact of the four characteristics or factors on overall network success performance. As such, the study concluded that tourism players in Penang need to focus effectively on their communication, information sharing, trust and commitment, to enhance their level of collaborative activities, which then will lead to overall network success in terms of business growth and perceived satisfaction performance.

## Chapter 1

### INTRODUCTION

#### 1.0 Background

The Malaysian economy has shown robust growth in recent years and one of the most prominent industries that shows outstanding performance is the tourism trade. According to Dr Wee, travel and tourism industry was the second largest revenue earner for the country last year, with the 15.7 million visitors spending RM\$30bil (The Star, 5 June 2005). Just to compare October 2003 with October 2004, there was an increase of 36.7%, from 994,858 arrivals to 1,359,658 arrivals to Malaysia (Media Statement by the Ministry of Tourism, 7 Dec 2004). This encouraging trend continues into 2005 and the first quarter of the year has already seen an increase of 4.6% in tourist arrival. As was also reported by *The Star*, dated 5 June 2005, 4.16 million foreign tourists received in Malaysia, compared to 3.98 million, from January to March 2004 and 2005 respectively.

This is not surprising as Malaysia has been considered an attractive tourism destination for many years due to various factors: its sound infrastructure, the richness of its cultural diversity, the beauty of its land and its harmonious roots. Even though Malaysia has all these pull factors that bring in tourists, however in order to sustain such a trend, Malaysia needs a knowledge-driven workforce (The Star, 15 December 2004).

As for the state of Penang specifically, Penang has been termed as the “Pearl of the Orient” with many gems. Penang is an amalgam of the old and the new – alongside monuments from its historical past are skyscrapers that reflect the rapid development that has taken place over the last 10 to 15 years on the island (The Star,

2 November 2003). Tourist arrivals have shown an encouraging trend of increase in numbers. It was reported by *The Star*, dated 11 March 2005, that the number of arrivals were 517,735 with a 20% increase in percentage as compared to the total of 428,814 arrivals the year before. As for this year, Penang aims to achieve 3.7 million tourist arrivals by introducing various programs (The Star, 30 April 2005).

In the endeavour to reach its target, we see the need of collaborations between trading partners. Just last year, in mid-2004, there was a newly formed Tourism Industry Network (TIN), a partnership between the tourism industry and the state government. TIN plans to reinforce Penang as a destination for travellers, both business and leisure, to reposition Penang as a world-class tourism destination (The Star, 11 March 2005). This is indeed in line with the state government's campaign of "Polish the Pearl," a campaign that focuses on building a sustainable tourism economy of this island (The Sun, 6 April 2005). Moreover, in order to attain state government's targeted tourist arrivals of 3.7 million people for year 2005, more than 10 sub-committees have been set up since year 2004 to help coordinate tourist programs (The Star, 30 April 2005).

Both the statistics on tourist arrivals and the recent planning to upgrade Penang as an international tourist spot illustrate a very promising scenario for the tourism industry in this state. However, there need to be steps taken to maintain and even further enhance the attractiveness of the Penang island in order to attain a higher total of tourist arrivals from year to year. Meanwhile, the very recent mooted of a network organization in the tourism industry for this state shows the current direction undertaken by this industry in Penang to promote its sustainability and growth. Owen, Witt and Gammon (1993) said that sustainable tourism development can be achieved through partnerships.

## 1.1 Problem Statement

Now all these lead us to the issue of collaboration and networking in order to achieve a trade performance. Briefly speaking, collaborative network means that there is cooperative effort between trading partners and these partners have a common direction (Sriram, Krapfel & Spekman, 1992). In the context of the tourism industry in Penang, we can see a collaborative effort being made between the tourism industry with the public sector to revive the industry here. For example, there is collaboration between the state government with the tourism operators. Just recently, Penang Chief Minister Tan Sri Dr Koh Tsu Koon announced two major tourism projects to revitalise the tourism industry in Penang: the redevelopment of Weld Quay and Swettenham Pier to attract more tourists. Besides this, the state government also plans to expand the museum and art gallery in Penang (The Star, 26 April 2005). In line with this move, The Penang Municipal Council (MPPP) will also divide the island into eight zones to improve cleanliness and also to beautify Penang (The Star, 23 April 2005). MPPP also collaborates with Agilent Technologies Malaysia, non-governmental organizations and the residents to redevelop the lake at Bukit Jambul (The Star, 16 April 2005).

In the recent workshop on *Successful Island Management: Building a Sustainable Tourism Economy of An Island*, the Honolulu Mayor, Jeremy Harris claimed that Penang has the potential to turn into a model tourist destination like Hawaii, but what is needed is the collaboration between tourism industry with the transportation systems. According to him, Penang should invest in an efficient public transportation system (The Star, 8 April 2005). Then, in May this year, the tourism industry has also teamed up with the fashion industry to organize the Tourism Malaysia's Corporate Cocktail at the Shangri-La Hotel. Corporate figures and foreign

media representatives have invited as well to promote tourism in Malaysia (The Star, 5 May 2005).

Collaboration is not something new for organizations in Malaysia. For example, the planting of 5000 mangrove saplings in conjunction with World Forest Day 2005 by Sahabat Alam Malaysia “green army” consists of the collaboration of the association with villagers, students and the public. In year 1999, the collaboration was with fishermen (The Star, 30 April 2005). In order to foster ties among batik-producing countries, there is an upcoming convention this December to develop an international network of batik enthusiasts (The Star, 5 May 2005).

As we can see from some of the collaborative attempts above, it is evident that collaboration is becoming a crucial factor and essential practice among organizations to work together, to collaborate, to have the same common direction and goal in order to achieve better performance success and survival. Indeed, collaborative management is becoming a central research paradigm in literature covering hospitality and tourism management. Harrigan (1985, 1988) argues that, when interorganizational relationships is used under the appropriate circumstances and environmental conditions, networks will be successful. However, a large percentage of these relationships do not succeed even when their creation seemed to be appropriate. Given this inconsistency, determining and understanding the factors associated with successful evolution of collaborative networks is valuable research objective and one which this study addresses. This realization brings us now to the problem statement of this study.

There are several issues faced, in Penang’s tourism industry. For example, the increased global competition from new and cheaper destinations and from more attractive and innovative tourism products, offered by similar islands destination such

as those outlying islands of Southern Thailand. Besides, there is transparency and easy comparisons of competing prices and products due to internet accessibility and the cheaper Thai Baht. Moreover, the SARS blues, Thai-Malaysia border political instability and the recent tsunami phenomena have posted stiff challenges to the Penang tourism industry. Thus, it is imperative that Penang should remain an attractive location for tourists from all over the world and Penang should not lose its competitive edge to emerging competitors from around the region. Therefore, it is worth the effort for our local tourism players to put in greater joint efforts and emphasis with innovative and value-added promotional packages to cater for different market segments, intensified promotional and marketing activities to recapture the international traffic and promote Penang as the paradise of the region.

Having said above, now there lies the urgency to look into the relationship between the current approach of networking undertaken to reinforce Penang as a destination for tourists and the success in promoting the sustainability and growth of the tourism industry in the state. To study such relationship, namely the relationship between network and tourism success, firstly is the need to investigate the factors determining the success level of networking, or specifically termed as collaborative networking in this study (see chapter 2 for more details on collaborative network) and then, to see to what extent these factors determine the level of success in collaborative network.

## **1.2 Rationale and Justification of Study**

In this modern era, tourism is part of the globalisation phenomena and is seen as an important force driving globalisation. With this context in view, the tourist trade has been regarded as an important vehicle that drives in development and progress. The

development of tourism sector becomes indispensable for many developing countries in their endeavour to obtain economic growth as well as creating job opportunities and income (Mustafa & Rahim, 2005). It is for this reason, the important role that tourism holds in this country, that the researcher of this study is interested to invest time and energy to investigate some aspects of tourism operation in this country, specifically in Penang.

Penang has been chosen to be the location of this research due to two factors:

1. The well-known attractiveness of this island as a pulling tourism spot (see statistics of tourist arrivals in 1.0),
2. The accessibility of data; Penang is the hometown of the researcher.

The researcher is interested to investigate the aspect of collaborative networking in the tourism industry in Penang as she is impressed with the needs and benefits of collaborative networking in achieving higher performance in this industry (refer details in chapter 2). Furthermore, with the recent mooted Tourism Industry Network of Penang (TIN), it becomes more obvious to the researcher that networking is now the current approach undertaken in this industry in this island.

### **1.3 Research Objectives**

In conjunction to the above problem statement, this study aims to do the following:

1. To investigate dimension of success factors that influence the collaborative tourism network in Penang.
2. To examine if having higher extent of collaboration leads to higher level of network success performance.



3. To assess the impact of the mediating effect of the extent of collaboration (intervening variable), on the dependent variable, the network success performance.

#### **1.4 Research Questions**

This study also aims to resolve the following research questions:

1. Are trust, commitment, communication, information sharing and perceived conflict significant predictors of collaborative extent?
2. Is the extent of collaboration a significant predictor of network success?
3. Does collaborative extent exert a mediating effect on the relationship between the independent variables and the dependent variable?

#### **1.5 Significance of Study**

The study purposes to contribute understanding to the current scenario in the tourism industry in Penang, especially from the perspective of collaborative networking. By achieving an understanding, there lays a foundation for more practical and proactive steps to be taken to build and establish more collaboration between the operators in this industry.

The findings of such practical fieldwork should provide the tourism operators as well as potential investors with important and useful information to make further strategic decisions, such as, to decide whether or not the creating or continuing of a relationship is strategically advantageous, as well as in improving the success of ongoing relationships of networking among the tourism operators (Diego, 2000). Collaborations will grow at an increasing rate and is considered potential for enhancing business performance and for generating social value. Thus, this study

findings will provide helpful guidance for the tourism operators striving to develop and manage high performance collaborative network (Austin, 2000).

As such, if the tourism industry in Penang is to expand to a larger scale, collaborative network will undoubtedly be a beneficial approach to bring in economic scale. Since the age of collaborative networks is upon us, this study could encourage academicians to further explore this important social enterprise arena, as mentioned earlier the path of social purpose networking will definitely lead to mutual gains and produce significant benefits for society.

## **1.6 Definition of Key Terms**

Below are the definitions of some key terms used in this study:

1. *Tourism Operators*: connected actors in tourism that perform different types of activities in interaction to one another, manifesting links that are usually called relationships which are continuous over time.
2. *Tourism Network*: a set of formal, co-operative relationships between appropriate organizational types and configurations, stimulating inter-organizational learning and knowledge exchange and a sense of community and collective common purpose that may result in qualitative and / or quantitative benefits of business activity, and / or community nature relative to building profitable and sustainable tourism destinations.
3. *Collaborations*: a long-term cooperative effort and common orientation between trading partners toward meeting their individual and mutual goals.
4. *Network Success Performance*: There are two aspects of performance used to measure the network success performance in this study –
  - i. the business performance such as sales growth, profit on sales,

- ii. the operational performance in terms of performance satisfaction as perceived by the tourism operators.

## **1.7 Organization of Chapters**

This study is organized in five chapters. The first chapter provides an overall view of the study by introducing the background scenario that leads to the need of this research. Besides that, chapter 1 discusses briefly the directions to be taken in this study. Chapter 2 consists of the literature review of collaborative network (concepts, benefits, types, factors) and past researches on tourism and networking in Malaysia and elsewhere. Chapter 3 continues with the research methodology of this study, the framework of the study. This is followed by chapter 4, a chapter that embodies the analysis of the data and its findings. Lastly, chapter 5 deduces the implications of the findings, concludes the investigation and suggests new areas of research that can be of contributive significance to the related domain.

## **Chapter 2**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The preliminary discussion in chapter one shows the current trend of a collaborative networking between local tourism operators in order to boost up the tourism industry in Penang. In order to measure the success rate of the tourism industry based on this network approach, there is the need to analyze the interdependent variables or factors in collaborative networking itself.

This chapter seeks to review some related literature on this approach and embodies some past researches and discussions, both generic as well as tourism related, on networks, collaborative tourism, factors or determinants of network collaboration, all of which would help the researcher to arrive at the theoretical framework of this study and its hypotheses.

#### **2.1 Review of Literature: Concepts**

Although networks have attracted much interest in research, such as industrial economics, organizational, negotiation analysis, resource dependence etc, it has only been rather recently that networking in tourism becomes the focus of researchers (Sigala, 2004; Morrison et al., 2004; Augustyn & Knowles, 2000; Pechlaner et al., 2002). Consequently, there is little academic and practical knowledge regarding this phenomenon, its success factors and contributors and so, its management implications (Sigala, 2004).

### ***2.1.1 Concepts of Tourism***

Tourism is an activity that takes place when individuals cross a boundary for leisure and stay at the place for at least twenty-four hours (Zulkifli, 1996). Tourism can be described as a composite industry composed of a variety of public and private sectors (Gunn, 1988). Tourism is composed of networks of actors intertwined by cooperation. Inputs from firms and other actors involved have to be coordinated and managed (Bjork & Virtanen, 2003). A more unusual definition of tourism is that it is a “system producing tourist attractions and services and those involved in this production” (Grangsjö, 2003).

According to Owen, Witt and Gammon (1993), sustainable tourism development embodies the following key principles:

1. Tourism is a potent economic activity which brings tangible benefits to the host community as well as to the visitors. However, tourism must form a balance economy.
2. The physical and cultural environments have intrinsic values that outweigh their values as tourism assets.
3. The scale and pace of tourism development should respect the character of the area. Value for money and a high-quality tourist experience should be provided.
4. The goal of optimum long-term economic benefit to the community as a whole should be pursued, rather than short-term speculative gain for only a few.
5. Tourism development should be sensitive to the needs and aspirations of the host population. It should provide for local participation in decision-making and employment of local people.

According to them, in order for sustainable tourism development to occur, strong partnerships need to be forged. This leads us to networking.

## ***2.1.2 Concepts of Network***

### ***2.1.2.1 Business Network***

In economic and strategic terms, a network is formed wherever a common standard allows connection and communication (Dawson, 2003). According to Emerson (1981), a business network is a set consisting of two or more connected business relationships and in such relationships, the business firms are conceptualized as collective actors. This set of connected actors perform different types of activities in interaction to one another, manifesting links that are usually called relationships which are continuous over time (Halinen & Tornroos, 1995). Moreover, networks tend to consist of actors from various sectors of society, which means that the language the actors use and the approaches they apply to address sustainability may show large differences (Halme, 2001). According to Jones and George (2003), participants or actors in networks are likely to be entrepreneurial in nature – identifying opportunities, mobilizing resources, and looking beyond resource limitations, to take advantage of the same. This requires a boundary spanning approach – a willingness to communicate with others outside the organization in order to obtain valuable information from the task and general environment. Chell and Baines (2000) further claimed that the ones likely to be interested in networking are most likely those who are entrepreneurial firms that are growing, rather than the more mature and stable ones.

Specifically, networks include strategic alliances, partnerships, coalitions, joint ventures, franchises, network organizations and e-commerce (Ring & Van de Ven, 1994). Networks imply cooperative efforts among business firms, governmental

bodies or organizations, persons or other entities that are interconnected in various ways (Smith-Ring, 1999).

There are three fundamental aspects in business networks (Kanter, 1994):

- a) They must yield benefits for the partners. They are living systems that evolve progressively in their possibilities. The connection offers the parties an option on the future, opening new doors and unforeseen opportunities.
- b) They involve collaboration (creating new values together), rather than mere exchange (getting something back for what you put in). Partners value the skills each brings to the network.
- c) They cannot be controlled by formal systems but require a dense web of interpersonal connections and internal infrastructures that enhance learning.

Halinen and Tornroos (1995) claimed that this networking relationship are characterized by three main issues:

- a) Willingness of network members to invest resources and time in the relationships,
- b) Partner asymmetric based on the contributions made by each member,
- c) Confidence is needed to reduce the negotiation costs among cooperative practices.

#### ***2.1.2.2 Collaborative Network***

Collaborative network is one in which trading partners develop a long-term cooperative effort and common orientation toward meeting their individual and mutual goals. Collaborative trading partners recognize their mutual interdependence and more openly share information, engage in greater future planning, and tend to take a more constructive problem-solving approach to conflict resolution (Sriram,

Krapfel & Spekman, 1992). Parmer and Bejou (1995) further argue that interdependence alone is not sufficient to bring about collaboration. The collaborators must also recognize that the benefits of joint attempts are of great importance and outweigh the costs and the loss of autonomy that they must relinquish to partners. Collaborative network is viewed to have occurred in tourism if the concerned parties (such as property companies, hoteliers, tourism service operators, local authorities) contribute resources to develop a tourism product whose total benefit to potential clients is greater than the sum that all members could offer independently (Palmer & Bejou, 1995). Besides that, to participate in collaborative efforts in tourism planning, Logsdon (1991) stressed that each partner needs to perceive benefits that can be derived from their collaboration. Without this perception, the partners may recognize the importance of collaborating, yet might perceive that self-interest is best served by utilizing a more familiar or known strategy than collaborating.

### ***2.1.2.3 Tourism Network***

Smith (1993) argues that the tourist product itself is the result of a process where facilities, services and hospitality (attitudes) from multiple firms are configured to produce an experience of value to customers. As such, all tourism organization have relationships with other entities such as the suppliers, distributors, competitors, public organizations, governments and other firms carrying out complementary activities. Some of these relationships are more trivial whereas some others are critically important to the parties involved. These cooperative relationships are what we can call as tourism network.

Morrison et al. (2004), has proposed a working definition of tourism network, which is “*a set of formal, co-operative relationships between appropriate organizational types and configurations, stimulating inter-organizational learning*”



*and knowledge exchange and a sense of community and collective common purpose that may result in qualitative and / or quantitative benefits of business activity, and / or community nature relative to building profitable and sustainable tourism destinations.”*

### ***2.1.3 The Nature of Networks***

According to Ford (1990), networks are stable and at the same, changing. Individual business transactions between firms usually take place within the framework of established relationships. Occasionally, new relationships are established and some old relationships are disrupted for some reasons although most exchanges take place within earlier existing relationships. However, those existing relationships are continually changing through activities in connection with transactions made within the relationship. Efforts are made to maintain, develop, change and sometimes disrupt the relationships.

The view about the dynamic nature of networks is also shared by Dennis (2000) who said that networks are dynamic arrangement that are constantly evolving and adjusting in order to accommodate changes in the business environment. Organizations that are potential partners operate in a dynamic societal environment (Selin & Chavez, 1995).

### ***2.1.4 The Need of Networks in Tourism***

The lack of coordination and cohesion within the highly fragmented tourism industry has all this while been a well-known problem to destination planners and managers (Jamal & Getz, 1995). As Gunn (1988) put it, continuous tourism planning must be integrated with all other planning for social and economic development and could be modeled as an interactive system. He said that the “go-it-alone” policies of many tourism sectors of the past are giving way to stronger cooperation and collaboration.

No one business or government establishment can operate in isolation. In recent years, although networking or partnership in tourism industry is a challenging task (Jamal & Getz, 1995), it is becoming increasingly well established in tourism development as economic and technological changes have created an increasingly complex and multifaceted industry (Greer, 2001).

For organizational performance and survival of the tourism industry, networking is increasingly regarded as a crucial factor (Child & Faulkner, 1998). The need of networks in tourism stems from the recognition and understanding that the success of each organization in a market depends in part on other organizations and that two or more of them can collectively achieve more than the sum of each individual's own efforts (Anderson & Narus, 1990). With this need in view, the notion of companies collaborating for their mutual benefit through the formation of strategic alliances has indeed gained credibility in recent years (Evans, 2001).

#### ***2.1.5 Benefits of Networks***

In tourism, collaborative network has recently been highlighted as bearing an important role in developing sustainable destination management strategies (Morrison et al., 2004) in the midst of the challenges that come from the increasing changes and competition in the modern tourism environment (Cline, 2000). Barriers to globalization continues to fade and competing globally is no longer an option but an economic imperative (Rutashobya & Jaensson, 2004). Networks have the potential of providing firms with access to information, resources, markets and technologies for the sustaining of regional tourism destination development. In fact, such collaborative networks are all the more vital, particularly, to small and medium tourism firms as they are likely to lack and / or have limitation in accessing organizational resources (Sigala, 2004). Small firms may have to rely on networks and relationships to

overcome their size disadvantages as they internationalize. Small firms may have to rely on networks to overcome their isolation in the current globalised market (Rutashobya & Jaensson, 2004). This is not surprising as collaborative networking especially in tourism marketing destination helps to create more promotional impact on potential visitors as the promotional campaign are pooled, thus achieving economies of scale (Reid, 1987). Secondly, collaborative networking enable market mechanisms to support and share the benefits of collective promotion of an area. Thirdly, in the marketing planning process, stakeholders can achieve their objectives more effectively by recognizing their independencies (Palmer & Bejou, 1995). In short, the network approach is necessary in tourism as a relatively large number of small actors with few resources cannot pursue sustainable development in isolation (Halme, 2001).

Besides this, strategic network that is governed by a long-term inter-organizational agreement helps to achieve common goal through common resource utility and management of organization (Parkhe, 1991).

Specifically, the benefits of tourism networking fall into three major categories (Lynch et al., 2000). See the Table 2.1 below.

**Table 2.1**  
*The Benefits of Networks*

1. Learning and Exchange	Knowledge transfer Tourism education process Communication Development of new cultural values Accelerating speed of implementation of support agency initiatives Facilitating of development stage of small enterprises
2. Business Activity	Co-operative activities, such as marketing, purchasing, production Enhanced cross-referral Encouraging needs-based approaches, such as staff development and policies Increased visitor number

	Best use of small enterprises and support agency resources Increased entrepreneurial activity Inter-trading within network Enhanced product quality and visitor experience Opportunities for business development interventions More repeat business
3. Community	Fostering common purpose and focus Community support for destination development Increases or reinvents a sense of community Engagement of small enterprises in destination development More income staying locally

In addition, a knowledge network can also benefit in the following ways (Skyrme, 1999):

1. Flexible reaction to market requirements: collection and sharing of information provides insights of trends and issues and so enables the in time development of innovative tourism products.
2. Development of new core competencies: knowledge is coupled with other resources to be advantageous to the client and to create competitive edges.
3. Combine resources and react collaborative without losing one's independence.
4. Achieving higher customer satisfaction: learn more about tourists, their needs and expectations for developing suitable products.
5. Exploitation of synergies.

Networking also enables consumers to receive the benefits from those alliances that are successful in producing integrated product (Evans, 2001) and have the potential to assist national government to take account of local aspirations and characteristics and hence to reduce tensions among the national, regional and local

views as tourism partnerships bring together local, regional and national interests within a regional development perspective (Gunn, 1994).

Therefore, high performance collaborations are about much more than giving and receiving money; they are much more than mere financial gains. They are about mobilizing and combining multiple resources and capabilities to generate benefits for both partners and social value for society (Austin, 2000). To sum up, the overall benefits of collaborative network in tourism are to “achieve a sustainable community of tourism destination development with the private and public sectors working in harmony to a commonly accepted function” (Morrison et al., 2004).

#### ***2.1.6 Types of Collaborative Tourism***

Sigala (2004) has listed specific types of collaborative tourism as shown below:

- a) Tourism product collaborative development and design,
- b) Collaborative demand management and forecasting,
- c) Collaborative procurement and resource development / training,
- d) Tourism product co-production (particularly of whole tourism packages),
- e) Collaborative tourism product / destination marketing,
- f) Positioning and branding,
- g) Tourists service management.

#### ***2.1.7 Factors / Determinants of Network Collaboration and Success***

Past researches reveals that collaboration and network success depends on combination of key predictors such as trust, commitment, communication quality, information sharing and perceived conflict (e.g. Lee, 2001; Batt & Purchase, 2004; Perry et al., 2002; Walter et al., 2003; Huemer, 2004; Sanzo et al., 2004; Ramayah et al., 2003; Kumar et al., 1995 and Bjork et al., 2003).

### ***2.1.7.1 Trust***

Fundamentally, trust is a relationship building block (Crotts & Aziz, 1998). According to Dwyer et al. (1987), trust is the critical determinant of a good relationship. It is so critical that a successful system can be identified by their participants' trust in each other and meeting their commitments (Emmer, Tauck, Wilkinson & Moore, 1993). Anderson and Narus (1990) describe trust as the belief that the partner will perform actions that will result in positive outcomes for the firm and not to take unexpected actions that may result in negative outcomes. Meanwhile, trust is defined by Moorman et al. (2003), as the willingness to rely upon an exchange partner in whom one has confidence. Trust is described as a belief, a sentiment, or an expectation about an exchange partner that results from the partners' expertise, reliability and intention. Furthermore, Ganesan (1994) views trust as benevolence because it is based on the extent to which the focal firm believes that its partners has intentions and motives beneficial to it. In short, trust has three essential components: a) the belief that the relationship partner will show benevolence in his/her actions; b) honesty where the trusting party relies on the relationship partner to be credible; and c) the belief that the relationship partner has the competence to act for the benefit of the relationship.

Sigala (2004) views trust as a lubricant and glue in a relationship, as it reduces transaction costs and fosters information sharing. Trust is a mechanism based on shared values and norms supporting the collective collaboration within the environment. It is a necessary ingredient in a highly complex form of social relations and processes that are necessary for the generation and maintenance of collective actions (Ikram, 2002). Therefore, Khin (2001) added, the establishment of trust among partners will ensure a positive climate, termed as a climate of confidence

(Barney & Hansen, 1994), for successful relationships which will lead to a sustainable long-term relationship. The role of trust was found to be significant in determining buyers long-term orientation in buyer-seller relationship (Ramayah et al., 2003).

Conversely, it will be difficult to develop an open and effective partnership or networking process if there is a backdrop of tension and distrust. This is evident in the research done on tourism networking in the island of Ireland where decision making was a mere artificial process as there was suspicions between the two tourist boards (Greer, 2001). Furthermore mistrust that is introduced through stereotyping and disrespect, can easily set off a vicious cycle that makes success harder and harder to attain (Kanter, 1994).

In accordance with the above, a positive causal relationship between trust and the successful evolution of collaborative network can be foreseen. Moreover, trust seems to very important between hotels and travel agents relationship (Diego et al., 2000).

#### ***2.1.7.2 Commitment***

The next factor is commitment, which is an integral part of any long-term relationship. Commitment implies sacrifice on the part of the partners and the durability of interorganizational relationship (Dwyer et al., 1987). It is generally described as a kind of lasting intention to build and maintain a long-term relationship; it can also be defined as the desire to make an effort to maintain the relationship, which is perceived as being sufficiently worthwhile (Anderson & Weitz, 1992). Ganesan (1994) believes that such long-term relationships are crucial in providing sustainable competitive advantages to firms. Thereby, theorists consider that commitment is central to successful interorganizational relationships, in achieving efficiency and thereby generating benefits for the participants in this working

relationship (Anderson & Weitz, 1992). Moreover, in terms of transactional cost, potential costs might be limited if participants show commitment to their network relationship (Williamson, 1985). To secure this commitment, the concerned parties must have a similar definition of the problem they are facing which must be important enough for them to want to invest time to work with others (Gray, 1996).

Commitment is seen as crucial to achieve efficiency and generates benefits for participants in a relationship. According to Schulz (1994), committed hotels seem to show relatively more reservations in the hotels and travel agents relationship.

### ***2.1.7.3 Information Sharing***

This refers to the extent to which critical or proprietary information is communicated to one's partner (Lages et al., 2004). Information sharing is the main component of knowledge creation and management, and closer relationships result from more frequent and relevant information sharing (Lee, 2001; Batt & Purchase, 2004). Mohr and Spekman (1994) suggest that partners should work together to plan all related activities.

According to Morisson et al. (2004), the learning and exchange of knowledge is the core function of each organizational type of network. This learning and exchange is believed to form the base for the further stimulating tourism activities based on stronger knowledge base, informed policy and the distribution, pooling and leverage of resources to upgrade innovation and market development. Knowledge creation and sharing is decisive for the success of any organization competing within the network and knowledge economy. In fact, knowledge is the only way to formulate strategies in time and to actively respond and influence the ever changing environment.



So critically important is the knowledge factor, that besides information sharing among local tour operators, networks should also engage in knowledge sharing activities with firms from other industries. The exchange of diversified, complementary and supplementary knowledge from other fields is deemed as indispensable due to the increasing globalisation of tourists, their preferences, expectations and experiences. Being equipped with such benefits, tourism firms can then gain a lot by identifying and adapting the best practices from other industries (Sigala, 2004).

Positive correlation between collaborative network and information exchange and sharing can be predicted, based upon findings from Knight and Schulz (1994).

#### ***2.1.7.4 Communication***

Communication can be broadly defined as “the formal as well as the informal sharing of meaningful and timely information between firms” (Anderson et al., 1990; Ho Park, 1996) defines communication as consisting of an exchange of information or an exchange of know how among organizations. It is the human activity that creates and maintains relationships between the different parties involved. In communication, exchange of information is two-way to achieve shared and mutual understanding (Dwyer et al., 1987). Pertaining to trust, open and honest communication is the cornerstone to trust (Dragoon, 2004).

However, this will also mean that inefficient communication may lead to conflict due to misinterpretation and reciprocal dissatisfaction (Sigala, 2004). This usually happens during stressful periods during which communication with the alliance partners is often crowded out. By right, communication between partners should be more critical when difficulties arise (Austin, 2000).

In Schulz and Knight (1994) explorative study, they suggest that quality communication (e.g. provide adequate and timely information such as price, sales promotion, reservation procedure) will improve a hotel's relationship with travel agents significantly. According to Diego (2000), quality communication seems to characterize more successful relationship with travel agents.

#### ***2.1.7.5 Perceived Conflict***

Conflict is behavior that impedes, blocks and frustrates another firm's goal pursuit and its level is reflected in cognitive and affective aspects (Kumar et al., 1995).

The importance of friction-free cooperation between actors in networks is well-recognized (Axelsson & Easton, 1992). As there will always be disagreements or conflicts between participants (Dwyer et al., 1987), it is important to hold a positive attitude in order to resolve any arising conflict in an amiable manner. Essentially, when conflicts are resolved amicably, such conflicts may actually be a contributing factor in increasing efficiency (Frazier, 1983). According to Kumar et al. (1995), perceived conflict is the magnitude of present conflict acknowledged and perceived by the firm.

Hence, participants' positive attitude towards conflicts can be seen as contributory factor for the successful collaborative networking, which means that perception of disagreements is seen as a means to avoid future disputes or to provide productive discussion, which in return will strengthen the network relationship and thus reduce further conflict in the long run.

#### ***2.1.8 Collaboration Extent***

The relationship between the level or the extent of collaboration and the success of certain aspects in tourism has been studied before. Collaboration extent refers to the degree of collaboration, from weak to strong. Bramwell and Sharman (1999) have