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# Trust-building processes in tourist coopetition: The case of a Polish region

Katarzyna Czernek [a, *], Wojciech Czakon [a, b]

[a] University of Economics in Katowice, Poland
[b] Bogucicka 14, 40-227 Katowice, Poland

## HIGHLIGHTS

- Trust-building processes play different roles in tourism coopetition.
- Potential individual benefits exceeding costs are crucial for dyadic coopetition.
- Emotional bonds play a moderating role between calculative trust and coopetition.
- Reputation is a necessary but not sufficient condition to start coopetition.
- Legitimating is not a relevant trust-building process in dyadic coopetition.

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## ABSTRACT

This study examines the role of trust in establishing collaboration between two individual competing tourism firms. The study contributes to the existing body of knowledge by investigating how various trust-building processes influence dyadic coopetition in five municipalities in Poland. The literature suggests eight different trust-building mechanisms at various levels of analysis and collaborative endeavors. Our results indicate four processes important to start dyadic coopetition, which are based on: calculation, emotional bond, reputation and embeddedness in social networks. Our findings also show that if trust based on calculation is not reported, then even several trust-building processes combined do not lead to coopetition. Moreover, trust does not appear as a homogenous concept, and different trust-building processes do generate different effects. The results show that trust may play both positive and negative roles in coopetition formation.

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## 1. Introduction

Tourism firms remain highly interdependent (Björk & Virtanen, 2005) in delivering various products and services, which combined make up a tourism product (Naipaul, Wang, & Okumus, 2009). The quality of tourism experience, and the performance of tourism firms both depend on how this interdependency is managed, governed and exploited. Significant importance can be attributed to inter-organizational structures, relationships, and strategies (Kylänen & Mariani, 2012; Majewska, 2015). Firms need to collaborate with each other in order to create value, even if their partners might have divergent or clearly competing individual goals (Dyer, Singh, & Kale, 2008). Tourism organizations involved in collaborative relationships have been found to simultaneously display competitive and collaborative behaviors (Wang, 2008). The concept of coopetition encapsulates the real complexity of relationships between rival firms, which simultaneously collaborate and compete (Brandenburger & Nalebuff, 1996). Researchers suggest that through coopetition firms are able to achieve superior performance than through collaboration or competition alone (Czakon, 2009; Lado, Boyd, & Hanlon, 1997). However, even if game theoretical models suggest coopetition to be the best strategic option, empirical evidence shows that while some firms adopt

* Corresponding author. ul. 1 Maja 50, 40-287 Katowice, Poland.
*E-mail addresses:* Katarzyna.czernek@ue.katowice.pl (K. Czernek), wojciech.czakon@ue.katowice.pl (W. Czakon).

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collaboration with rivals, others do not (Okura, 2007). Tension in collaborative relationships can typically be found between the desire to combine resources, co-create products or extricate synergies, and the fear that partners may be able to capture an unfairly large part of the benefits, exploit others or behave opportunistically (Ritala & Tidström, 2014). This study tackles the coopetition formation decision by exploring the role of different trust-building processes, or mechanisms, in establishing collaborative relationships between two individual competitors, i.e. in dyadic coopetition.

Trust has been found to reduce conflict and risk by creating goodwill that secures relationships, while at the same time strengthening satisfaction and partners' commitment in the exchange (Nielsen, 2011). In general management literature, trust is seen as a governance mechanism, and as such scholars locate its impact in the relationship's design, and post-formation phases (Kale & Singh, 2009). In tourism research, trust is still relatively under-explored as compared to other industries and general management studies at large. Existing literature uses the trust concept rather superficially (Araujo & Bramwell, 2000, 2002; Bramwell & Lane, 1999; Grangsjo, 2006; Jamal & Getz, 1999), often indicating only the important role of trust in the collaboration process and for its outcomes (Wang & Krakover, 2008). Research on trust in the tourism industry is mainly focused on local community trust towards institutions such as government, regional or municipal offices (Nunkoo, 2015; Nunkoo & Ramkissoon, 2011a, 2011b; Nunkoo, Ramkissoon, & Gursoy, 2012), and on customer trust towards tourist suppliers (Akamavi, Mohamed, Pellmann, & Xu, 2015; Fam & Foscht, 2004; Han & Hyun, 2015; Sparks, Browning, 2011) leaving in-depth analysis of inter-partner trust among tourist entrepreneurs relatively untouched. Moreover, trust is analyzed rather in relation to collaboration, not coopetition (Caffyn, 2000; Czernek, 2013, 2014; Nunkoo et al., 2012; Roberts & Simpson, 2000; Żemła, 2014). This study therefore addresses a gap at the intersection of two overlapping research streams: coopetition in the tourism industry, and trust in tourism industry relationships. The findings contribute to filling this gap by showing how four identified distinct trust-building processes drive firms in the tourism industry to enter into dyadic coopetition.

## 2. Theoretical underpinnings

### 2.1. Coopetition in business relations

Business relationship research is based on the assumption that no business is an island (Håkansson & Snehota, 1989), which implies a vast and varied interdependency between firms. The study of interfirm relationships unveils four possible types of interaction: competition, collaboration, coexistence and coopetition (Bengtsson & Kock, 1999). The term coopetition encompasses the simultaneous use of collaboration and competition (Brandenburger & Nalebuff, 1996) in order to achieve better collective and individual results (Czakon, 2009). Interestingly, the form of interaction can change over time from one type of relationship to another, and back again. The four theoretical interfirm relationship types have been found among tourism stakeholders in some empirical studies, for example in the study of destination management in Elkhart County (Wang & Krakover, 2008).

Looking more closely at the coopetition term provenience, the literature traces it back to 1913, referring to Kirk S. Pickett, who used it to describe the relationships among his 35,000 oyster dealers by stating: "You are only one of several dealers selling our oysters in your city. But you are not in competition with one another. You are co-operating with one another to develop more business for each of you. You are in co-opetition, not in competition" (Cherrington, 1976). This statement suggests that coopetition has been coined by practitioners in order to encompass a complex reality they are confronted with. Also, it indicates that geographical co-localization of firms induce them into this multifaceted interdependency. By analogy, coopetitive relationships should reasonably be expected to appear frequently in the tourism industry. Researchers have found coopetition appearing even in an unintentional, instinctive way in tourism destinations, covering various relationships between many interdependent actors (Kylänen & Rusko, 2011). Scholars suggest also that tourism professionals should carefully manage the 'natural disagreement' resulting from perceived relationships between competition and collaboration, in order to achieve success for both the tourist destination and their individual businesses (Wang, 2008).

The rationale for collaborating with competitors has been examined from several theoretical stances. Chronologically, game theory, appearing first, provides a model for coopetition, and demonstrates that for many types of games it is the best option actors may opt for. At the collective level of analysis, the value network concept introduced by Brandenburger and Nalebuff (1996) shows that customers, suppliers, competitors and complementors should act together in order to increase the total value generated, a "business pie" to be shared among them. A rigorous game-theory approach has seldom been empirically tested, with the notable exception of the insurance industry in Japan (Okura, 2007). While theoretical models clearly indicate that insurers may reduce costs through information sharing, a number of them are reluctant to do so. The underlying assumption of the actors' rationality makes game-theory explanations rigorous, but at the same time they fail to fully explain the appearance of coopetition.

Another stream of research uses the resource-based view of firms (RBV), which assumes that firms seek partners for resources and capabilities which otherwise would be unavailable to them. This theoretical framework puts the concepts of interdependence and complementarity at the heart of coopetition, as firms engage in this type of strategy in a strive to reap synergies in value creation or enhancement (Bonel, Pellizzari, & Rocco, 2008). Empirical studies shed light on strategic behaviors of coopeting firms as oriented towards complementary resource access through cooperation, without however dropping competition, as exemplified in the study of the actions of French professional football clubs (Robert, Marques, & Le Roy, 2009). More interestingly for tourism research, the factors explaining the likelihood of coopetition formation between small and medium size enterprises (SMEs) have been hypothesized to be: strategic alignment i.e. goal congruence, and technological alignment i.e. relative to resource and capability complementarity and similarity (Gnyawali & Park, 2009). SMEs, which dominate in the tourism industry, have been claimed to be particularly suitable for coopetition. Indeed, most are vulnerable to external pressures, have limited cash reserves, often depend on a single product line, and tend to rely on a niche customer base, which, taken together, suggest strong incentives for entering coopetition (Morris, Koçak, & Özer, 2007). However, this does not bring coopetition as a common, popular or widespread phenomenon.

The formation and development of coopetition relationships has also been explored from an evolutionary perspective to indicate that different paths may lead to this type of interaction, depending on a particular sequence of events (Tidström & Hagberg-Andersson, 2012). Researchers have shown that coopetition emerges between firms in tourism destinations even if it has not been intentionally planned (Kylänen & Rusko, 2011). In

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