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## When Collaboration is Difficult: The Impact of Dependencies and Lack of Suppliers on Small and Medium Sized Firms in a Remote Area

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### Abstract

*In order to ensure their success, small and medium sized firms should collaborate. This study reports on the perceptions of tourism firms in Eastern Norrbotten, Sweden, with regard to collaboration. The findings indicate a low level of collaboration and a lack of understanding of the dependencies among tourism firms, as well as the benefits of reciprocity.*

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### Introduction

Small and medium sized tourism firms cannot, by themselves, provide tourists with all their needs. Smaller tourism firms are limited, therefore, to offering a small number of similar activities. For example, a hotel may also have a restaurant and a bar. However, tourists also seek other things, such as natural or man-made attractions, good climate, as well as activities such as canal trips, safaris and rentals of boats, snowmobiles and cars. Most tourism firms are, therefore, dependent on other firms to satisfy all tourist needs.

Activities that tourists seek are related primarily to their needs, such as hunger, protection, shelter and self-actualization (Jonsson-Kvist and Klefsjö, 2006). Typically, these products relate to the following:

- housing, which satisfies their shelter needs;
- food to reduce their hunger;
- a tourism agency to assist in coordinating their activities;
- public services such as roads, police and hospitals to provide a sense of security;
- public and private transportation such as airports, harbours, bike and car rentals to satisfy transportation needs;
- souvenir boutiques tightly knitted together in networks, which offer shopping experiences to fulfil recreational needs;
- bars, restaurants, discos and churches, which satisfy social needs;
- casinos and amusement parks that satisfy the desire for excitement;
- sports events, markets, festivals, concerts, theatres and religious events, which offer recreational needs;

- conferences, meetings and business affairs for business needs; and
- assistance from guides to understand the unfamiliar environment.

Considering the above diversity of needs, it is clear that tourism firms are dependent on multiple stakeholders. If another firm cannot supply even one of these needs, tourism firms would find themselves in a difficult position. Porter (1998) has emphasized that location is central to establish the quality of the product in tourism, which creates interdependencies between related or unrelated firms in an industry. He has said:

*“A visitor’s experience depends not only on the appeal of the primary attraction but also on the quality and efficiency of complementary businesses such as hotels, restaurants, shopping outlets, and transportation facilities. Because members of the cluster are mutually dependent, good performance by one can boost the success of the other” (Porter, 1998:81).*

Other researchers have emphasized the need for firms in tourism destinations to collaborate (Judd, 1995). The purpose of this paper is to report on the empirical findings of a study of dependencies, collaboration and reciprocity among tourism firms in Eastern Norrbotten, Sweden.

## Background

Location is an important consideration for many tourism firms (Baum och Haverman, 1997). In examining location, tourism firms consider not only the demand for their products, but also the availability of related products. As a strategic operating factor, location can, therefore, determine whether a firm will be successful or not (Leviental och March, 1993).

Firms that are located in remote regions typically operate under difficult circumstances. For example, remote geographical regions may exhibit negative attitudes, a poor local market, underdeveloped resources, a lack of institutional support or a critical mass, and few entrepreneurs that are willing to take on risks when facing such challenges (Pesämaa and Hair, 2007). The presence of even one of these challenges can make it difficult for a firm. These circumstances often make the firms feel abandoned and alone in their attempts to overcome the challenges. Some difficulties are culturally conditioned and, therefore, relatively uncontrollable, while others are related to management competencies. The uncontrollable difficulties may in fact prevent a firm from dealing with other more controllable challenges to the company. Indeed, the difficulties are often so demanding that they cannot be solved independently.

Business operations are also affected by the local social structure (Axelrod, 1984). Well-utilized social structures can be beneficial for businesses and open doors that otherwise would not have been opened. However many firms do not get the most out of their relationships (Vaananen, Buunk, Kivimaki, Pentti and Vaahtera, 2005). Instead, firms react passively in their relationships, whilst not realizing that cooperative strategies can enable them to respond quicker to changing circumstances (Harrigan, 1988).

A favorable social structure assists tourism firms because they are dependent on the cooperation of other tourism firms (Sherlock, 2002; Heuman, 2005). While tourism firms often compete for customers, they also collaborate at the destination level in order to serve customers (Von Friedrichs-Grängsjö, 2001). Local collaborative efforts and commitments require social skills that facilitate agreements to share goals and decisions that will attract more tourists.

Reciprocity includes several important aspects of cooperation and exchange. Reciprocity reflects how firms pursue their self interest in exchange relationships by balancing what they ‘give’ with what they potentially can ‘receive’. Reciprocity can also be the result of true altruistic concern for others or a friendship in which two partners are mutually attracted to work with each other (Sparrowe and Liden, 1997). Finally, reciprocity affects how well firms pursue different cooperative strategies (Axelrod, 1984; Harrigan, 1988). Reciprocity is, therefore, important for tourism firms (Adams, 1992; Sherlock, 2002; Heuman, 2005).

Social skills imply that tourism firms should ‘give’ and ‘take’ in different settings (Sparrowe and Liden, 1997). This rule of reciprocity is crucial to the success of tourism firms because otherwise they will have to function without the support of other firms (Portes, 1998). Operating alone is especially difficult in early development phases when support is needed most. The types of operational support required by tourism firms differ depending on the situation, and firms without support may cease to exist or be forced to relocate to areas where support is possible. Also, the local structure sometimes exhibits favoritism by supporting some firms and not others. For example, a lack of social support may mean that a favored firm receives the necessary resources to provide fishing or hunting opportunities for customers, while another does not. This type of negative social support prevents reciprocity in operations.

Portes (1998) has argued that the social reciprocity of ‘give’ and ‘take’ is critical to the success of a local economy. A typical outcome of the lack of reciprocity is that firms are reluctant to share ideas and contacts but still need other suppliers to provide resources for their business. Firms that are concerned that other firms have a free ride, can also lose many opportunities

(Ingram and Roberts, 2000). Reciprocity can, therefore, be complicated, particularly in remote regions.

Lack of reciprocity can mean that tourism firms get caught in a game of hide and seek. In such situations, the tourism firm is less willing to share ideas, while at the same time realizes that ideas and resources are important for its success. Trust is also central for reciprocity in a local economy (Portes, 1998). In hide-and-seek, the firm looks for other firms that it can trust and share creative ideas with, but is careful about getting involved in sharing opportunities because it is afraid of negative outcomes.

Tourism firms often search for reciprocity opportunities, while they may also be reluctant to share their own ideas. For example, tourism entrepreneurs may be afraid to provide technical consultation but are also dependent on others to give them advice on how to commercialize their ideas. Finally, firms may avoid bureaucratic systems but still look for stable institutions that they can turn to for support. The result is that tourism firms are caught in a social dilemma.

All of the preceding hide-and-seek examples show that firms are trying to balance different endeavours. Thus, when a firm is only 'giving' to the relationship, it tends to promote frustrated participants because many firms do not receive anything in return (Vaananen, Buunk, Kivimaki, Pentti and Vaahtera, 2005).

## Method

Hageback and Segerstedt (2004) have previously studied collaboration in Eastern Norrbotten as an example of a remote location. The study's definition of a remote location, referred to as a peripheral area, was a region separated by long distances with a small economic concentration per square kilometer. Specifically, remote areas had households that are located 200 meters from each other and fewer than five inhabitants per square kilometer. The criteria were developed based on 39,222 citizens living in four municipalities covering an area of 7,882 square kilometres, resulting in 4.98 persons per square kilometer. This work was used as a basis of selecting the geographic area for the current research.

A mail survey of tourism firms in Eastern Norrbotten was undertaken. No list of tourism firms in that area was available. However, a website for the region listed a total of 103 tourism firms, which were sent questionnaires and 64 usable responses were received (62% response rate).

## Measures

A survey instrument consisting of eight items was developed and pretested. The purpose of the first two questions was to evaluate reciprocity – the concept of give and take. The questions were related to: (1) How

willing is the firm to offer advice to other tourism firms? And (2) How willing is the firm to accept external advice? The next three questions (3-5) were designed to obtain perceptions and asked: (3) how is the firm perceived by tourists? (4) how is the firm perceived by competitors? and (5) how is the Eastern Norrbotten region perceived by potential tourists? Respondents answered these five questions by using a 5-point Likert scale ranging from very negative = 1 to very positive = 5.

The last three questions were dichotomous (Yes-No) and obtained information on the current collaborative status. The questions asked: (6) Do you currently collaborate with any other tourism firms? (7) Do you need other tourism firms to collaborate with? and (8) Are there collaborating tourism firms that are crucial to your survival?

For analysis purposes, the first two questions were treated as a reciprocity construct (Mavondo and Rodrigo, 2001). In order to justify this approach, we first examined the correlation between the two items and found a significant, positive correlation (Q1 – 2 correlation = 0.50;  $\alpha = < 0.01$ ). This finding indicates that tourism firms are receptive to 'give' and 'take', which is essential to reciprocity (Portes, 1998). Moreover, when combined into a single, summated scale, the two items demonstrated acceptable reliability (0.67).

## Results and Discussion

The results are presented based on questions 6 – 8. We first discuss the relationship of current collaboration activities (Q6), followed by the need for collaboration (Q7) and, finally, whether collaboration is crucial to survival (Q8).

Table 1 shows the findings of those firms that currently collaborate versus those that do not collaborate. A total of 18 of 64 firms (28%) collaborate with another tourism business. Thus, a relatively small percentage of the firms currently collaborate with other firms. This suggests that they may not understand the value of collaboration or they may fear collaboration.

The relationship between current collaboration and other issues was examined next. There was not a significant relationship between firms that currently collaborate and their perceptions of how their firm is perceived either by tourists or competitors. There was, however, a significant, positive relationship between firms that currently collaborate and their feelings about how the Eastern Norrbotten region is perceived by potential tourists. That is, firms that currently collaborate believe that the Eastern Norrbotten region is perceived significantly more favourably by potential tourists than do firms that do not currently collaborate.

The relationship between current collaboration activities and reciprocity was also examined. The results revealed a significant positive relationship between firms that currently collaborate and reciprocity. That is, firms

that currently collaborate are more willing to engage in activities, which involve give and take (reciprocity), including sharing advice.

**Table 1: Current Collaboration and Other Issues**

Question	Currently Collaborate	N	M	Min	Max	F	P
How is firm perceived by tourists?	No	18	4.58	3	5	0.62	0.43
	Yes	46	4.46	3	5		
	Total	64	4.49	3	5		
How is firm perceived by competitors?	No	18	3.11	1	5	2.44	0.12
	Yes	46	3.46	1	5		
	Total	64	3.36	1	5		
How is the Eastern Norrbotten region perceived by potential tourists?	No	18	3.26	1	5	4.61	0.04
	Yes	46	3.87	1	5		
	Total	64	3.7	1	5		
Reciprocity (Q1-2)	No	18	3.62	2	5	6.29	0.01
	Yes	46	4.25	1	5		
	Total	64	4.07	1	5		

Note: N = number of firms; M = mean value; Min = lowest value; Max = highest value; F = f statistic; and P = probability level.

Table 2 compares the findings of firms that believe that they need collaboration versus those that do not see the need. A total of 14 of 64 firms (22%) perceive a need to collaborate with another tourism business. Thus, an

even smaller percentage of the firms perceive a need to collaborate with other firms. This provides further support that the firms do not understand the value of collaboration or may fear it.

**Table 2: Need for Collaboration and Other Issues**

Question	Need Collaboration	N	M	Min	Max	F	P
How is firm perceived by tourists?	No	50	4.5	3	5	0,2	0.65
	Yes	14	4.4	3	5		
	Total	64	4.5	3	5		
How is firm perceived by competitors?	No	50	3.3	1	5	1,3	0.27
	Yes	14	3.6	3	5		
	Total	64	3.4	1	5		
How is the Eastern Norrbotten region perceived by potential tourists?	No	50	3.8	1	5	0,6	0.43
	Yes	14	3.5	1	5		
	Total	64	3.7	1	5		
Reciprocity (Q1-2)	No	50	4	1	5	3,1	0.08
	Yes	14	4.5	3	5		
	Total	64	4.1	1	5		

Note: N = number of firms; M = mean value; Min = lowest value; Max = highest value; F = f statistic; and P = probability level.

Perceptions and reciprocity issues were also examined. There were no significant differences in perceptions and whether or not a firm believes collaboration with other firms is necessary. There was, however, a significant relationship between a perceived need for collaboration and reciprocity. That is, firms that see a need for collaboration are also more willing to engage in activities that involve reciprocity. This suggests that they perceive the benefits of reciprocity, whereas other firms do not.

Table 3 compares the findings of firms that have other collaborating firms crucial to their survival versus those that do not. Only 6 of 64 firms (9%) report that another collaborating tourism business is crucial to their survival. Thus, a very small percentage of the firms believe that their survival is dependent on collaboration with other firms. This finding suggests a lack of perceived interdependency. (Porter 1998) in Eastern Norrbotten. It again also shows that tourism firms do not understand the value of collaboration or may fear it.

**Table 3: Collaboration Crucial to Survival and Other Issues**

Question	Collaboration Is Crucial	N	M	Min	Max	F	P
How is firm perceived by tourists?	No	58	4.51	3	5	0.5	0.48
	Yes	6	4.33	3	5		
	Total	64	4.49	3	5		
How is firm perceived by competitors?	No	58	3.33	1	5	1	0.33
	Yes	6	3.67	3	5		
	Total	64	3.36	1	5		
How is the Eastern Norrbotten region perceived by potential tourists?	No	58	3.72	1	5	0.2	0.63
	Yes	6	3.5	3	5		
	Total	64	3.7	1	5		
Reciprocity (Q1-2)	No	58	4.11	2	5	0.8	0.39
	Yes	6	3.75	1	5		
	Total	64	4.07	1	5		

Note: N = number of firms; M = mean value; Min = lowest value; Max = highest value; F = f statistic; and P = probability level.

### Conclusions

Some firms operate in difficult conditions with many challenges. However, tourism firms that are confronted with such challenges can grow and become strong by pursuing dependencies between firms (Porter, 1998; Von Friedrich Grängsjö, 2001). Our results indicate that, to a large extent, dependencies are not evident in a remote region such as Eastern Norrbotten.

Firms that see a need for collaboration are more favorable toward activities which involve reciprocity. However, they find this difficult to achieve because most other firms do not see the benefits of collaboration. Tourism firms in this and other remote regions could likely benefit from collaboration but apparently do not understand the implications of firm dependencies or the value of working with other firms through reciprocity.

Tourism firms are dependent on each other for their success. Previous research has demonstrated the value of collaboration. The limited collaboration among firms in Eastern Norrbotten demonstrates their lack of understanding of this dependency or that it can be overcome through collaboration. Future studies should examine how an awareness of dependencies develops, as well as how collaboration can be encouraged.

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