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# THE NETWORKS IN TOURISM: A THEORETICAL APPROACH

Literature  
review

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## Abstract

*The economic world in which tourism companies act today is in a continuous changing process. The most important factor of these changes is the globalization of their environment, both in economic, social, natural and cultural aspects. The tourism companies can benefit from the opportunities brought by globalization, but also could be menaced by the new context. How could react the companies to these changes in order to create and maintain long term competitive advantage for their business? In the present paper we make a literature review of the new tourism companies' business approach: the networks - a result and/or a reason for exploiting the opportunities or, on the contrary, for keeping their actual position on the market. It's a qualitative approach and the research methods used are analyses, synthesis, abstraction, which are considered the most appropriate to achieve the objective of the paper.*

## INTRODUCTION

In the globalized economy the companies' markets are or could be localized in the entire world: a company could buy raw materials and equipment from different Asian countries and they could sell their products in one or many European countries afterwards. They could also hire or rent workforce needed from leasing companies situated far away from the product place. The internet and the new communications technologies made all of these possible.

In this context, the network is a new type of doing business, discovered by the multinational companies which were searching to access the new markets from other countries than their original ones. They started by direct investments in other countries, and in the meantime the globalization allowed them to interact and to do business with other companies from abroad in different new ways, like networks.

Tourism is one of the most important economic sectors today, as a result of its constant increasing rate in the last decades and due to its contribution to the employment and growth at the global economic level. According to World Tourism Organization, international tourism represented 7% of the world's exports in goods and services in 2015, 10% of world gross domestic product and 9.1% of the total employment (UNWTO, 2016). This continuous development of tourism, even in the periods of crisis (one of the sectors which decreased only in 2010 during the economic and financial crisis 2007-2013, instead other economic sectors which suffered more), determined the increase of the attractiveness and competition between the destinations, tourism companies interested in participating as actors in the global tourism market.

## THE CONCEPT OF NETWORK

The authors of the book *Network Analysis and Tourism: From Theory to Practice* [Noell Scott, *et. al.*, p. 11] show that the theoretical framework of networks can be found in two thinking schools, mathematics and the sociology (see table 1). The first one defines the concept in the graph theory: the network is viewed as a diagram containing the elements symbolized by lines and the connections between which are made by nodes. In the social sciences disciplines, a network represents a group of members and the relationships between them. Simmel is the first scientist who studied the social entities in 1908, Redcliff Brown analysed the anthropological aspects of them and Barnes work in 1952 resurged the concerns for the area in the sociological literature, highlighting the importance

of social organizations, relationships and interactions in influencing the individual decisions, beliefs and behaviours (Airey and Tribe, 2007). The network elements in this kind of analysis are (Knok and Kuklinski, 1991, in Airey and Tribe, 2007): the actors (which perform activities with other participants and control the network resources), relationships (considered as the transactions between actors supposing the transformation of the resources) and the resources (both knowledge and money). The main aspect envisaged by these studies is the focus on the presence and the nature of the relationships rather than the actors as individuals. The network-actor theory (ANT) is attributed to three researchers who described and developed it in some articles and books to explain it (Cressman, 2009, p. 1). In their complex approach, sometimes misunderstood, the authors introduced the human and non-human like actors (symmetry) and the fact that any act in the world is influenced by a series of factors and these creates a network. The theory overcame the limits of social disciplines and technology, being used in analyzing networks in management and organizational studies, sociology, geography and other sciences (Cressman, 2009, p.1).

Contributions have been made to the knowledge in this field by physicists, mathematicians, biologists, sociologists, computer scientists, economists (Scott, Baggio and Cooper, 2008).

In economic and business, the network analyses is considered a new organizational paradigm which states that the firm competency is based not only upon its own resources and their efficient use, but also upon the other firms' resources and the nature of their relationships (Wilkinson and Young, 2002, p. 127). Table n. 1 contains a summary of the most important network approaches in different areas studies.

The *business network* as "the totality of the relationships of firms engaged in production, distribution and the use of goods and services" (Andersson, 1992) or "a web of relationships between linked organizations", could be represented by a spider graphic having characteristics like the number of organizations and their linkages (nodes) that indicate the interconnectivity level and the pattern of resources sharing between the members (Mallen and Adams, 2008, p. 44) .

## THE MAIN ADVANTAGES OF NETWORK ORGANIZATIONS

Many researchers used different mythologies to analyze the value added created by networks in the companies' performances, using this concept both as a process (networking as a process of building

networks) and as an organizational structure designed by multinational firms, in order to create partnerships and coordinate a big number of partners/subsidiaries added in their business operations as a result of concentration or integration strategy implemented in some periods.

Kogut considered that the organization is a source of value for firm, derived from profits of cooperation (Kogut, 2000, p. 405). In his book entitled *Managing the Global Network Corporation*, McKern noticed that there is a strong contribution to the performance due to the fit between the environmental demands and the company's organizational structure. Afterwards, these elements have to be a starting point in building a network. In the mentioned book, Bruce McKern and his research team define, by citing the Carnegie Institute's study realized in 1994, the "network corporations" as international corporations in which there is an emphasize for the subsidiaries' autonomy, lateral communication and cross-border generation and diffusion of knowledge (McKern et. al, 2014, p. 1). There are 4 types of organizational structures adopted by the multinational companies, based the degree of integration and subsidiaries roles differentiation (Nohria and Grosal, 1997, in McKern, 2003, p. 223): structural uniformity (high integration and low differentiation of subsidiaries roles); a differentiated network (high integration and high differentiation roles); differentiated fit (low integration and high differentiation); ad hoc variation (low integration and low differentiation). Network as organizational structure for Interorganizational Networks has also been studied by Hermann, Bergman and Halubek who stated that this kind of organization could be seen like a social-technological system (Hermann, Bergman and Halubek, 2008, p. 98) containing the partners (the elements of the system) and information and coordination channels built for business transactions (the structure is constituted by these elements and their relationships).

Studies conducted by different authors show that innovation is stimulated by networks (Ajuha, 2000; Hjalager, 2010; Sorensen, 2007), as a result of information flow which allows companies to benefit from the knowledge distribution (Ajuha, 2000; Kinsing and Duister, 2008; Saxenian, 1991) and coordination of network activity (Hakansson and Ford, 2002), depending on the type of network, if it's a local or a global ones (McLeod and Vaughan, 2015).

Today, the most important types of associations are (industrial association/business relations): strategies alliances, the clusters, virtual enterprising, extended enterprising and business network (Corodeanu and Nita, 2009, p.15).

A strategic alliance can be defined as voluntary arrangements between firms involving exchange,

sharing, or codevelopment of products, technologies, or services (Gulati, 1998, p. 293). There is a vast literature in this field, focus on the formation of alliances, their governance, the evolution of alliances and networks, their performances or the performances of the companies entering in the alliances.

Virtual enterprise is "an ad hoc alliance of independent experts (consultants, designers, developers, producers, suppliers, etc) who join to pursue a particular business opportunity" (Business dictionary). In this kind of alliance the members are geographically dispersed, the needed physical infrastructure is low or inexistent, is characterized by a fast response time, and the members use the internet and the telecommunications facilities in order to co-operate for fulfill some concrete goals. Through the partnerships formed by this collaborative work, the enterprises can provide the elements needed to compete in the market and meet consumer need, profit from "further advantages such as the division of costs and resources and market expansion" (Rojas et. al., 2012, p. 627). The specific skills of each partner allow to the virtual enterprise to benefit from the synergy and high flexibility which allow easily relocate the operations when the market changes.

The cluster is a form of network organization very popular in today's economic theory and practice, and it's raciness are in other disciplines, which defined it in statistical researches as a series of elements which present similarities between them but are different from other elements (Simut, 2015, p. 174). It is mentioned in economic area by Marshal in 1920 but only in 1990 is defined by Porter in his book "The competitive advantage of nations", and renewed in 2000 as "geographically close groups of interconnected companies and associated institutions in a particular filed, linked by common technologies and skills" (Porter, 2000). The author also mentioned that the firms are present where the communication between the companies involved is easy and the logistics and personnel interaction is possible (usually a region or a town). It is considered as an alternative way of organizing the value chain, a new spatial organizational form between the vertical integration and the arm's-length markets (Porter, 2000, p. 16). Clusters don't exclude the competition between actors, but it is important for increasing the productivity of firms and the growth, allowing them to innovate and stimulate the creation of new business. The advantages of companies involved derived from the increased productivity of inputs, a better access to employees and suppliers, access to specialized information, the complementarities of services and products offered to customers (Porter, 1998).

Many countries try to create and develop clusters in some regions and the efforts are made by

governments because a cluster needs institutions, universities and research centers, and companies which can benefit from sharing resources and experience. As mentioned clusters activities can cover numerous joint actions in different fields like networking, financing, human resources and training, research and development, marketing, internationalization, standardization etc. (Sroka and Hittmár, 2015, p. 74).

## THE NETWORKS IN TOURISM INDUSTRY

Van Der Duim (2007) introduced the concept of “tourismscapes” as a way of ordering activities, humans and non-humans in networks, and tried to explain the sustainable tourism development from the actors-network theory approach launched by Callon, Latour and Law in 1986. They stated (Van der Duim, 2007, p. 967) that tourism is a hybrid collective in a continuous movement and it comprises three components: actors (tourists as products consumer and the companies which produce them), non-human entities (objects - cars, restaurants, lodgings, lifts etc., information or means of communications – brochures, web sites, tickets and others, technologies services – sports activities) and interactions (what connects these actors and non-human entities). Other researches focused on the innovation in tourism based on mentioned theory (Paget et. al., 2010).

There are three types of network stakeholders in tourism (Morison et. Aa., 2004): network of independent commercial operators providing opportunities to influence planning, to inform about trends and competition, to get competitive advantage by using in common some resources for marketing, business development activities and to have access to public grants; public/private networks created by governments to develop some activities; academic networks which develop and furnish research studies concerning the environment, trends etc.

In tourism, the networks often take place at the recommendation of a public authority in the field, especially when small and medium sized enterprises are involved (Lazzeretti and Petrilo, 2006). At the international level, there are numerous tourism networks created by national governments of different countries in order to stimulate the international arrivals and to develop some regions by the tourism sector. Indeed, the tourism sector, considered as a fragmented sector in the theory, is also pressured to develop networks between the participants, because a tourism agency selling holidays is connected usually with a tour-operator who assembles different pieces of hotels' products, air transportation services, restaurants, entertainment etc. It is also connected to travel research agencies, marketing centers needed to

know the tourism trends and global or local distribution channels. In France, ODT France (Observation, Development and Touristic Engineering) it's a platform of expertise in French tourism offer, having the role of helping the government in achieving it's aim of developing the tourism sector by the inter-ministerial strategies. Michel Monereau noticed that tourism companies use the outsourcing strategy in different forms (franchising, partnership, sub-contracting) to get advantages from the synergy or complementarities in a specific sector (Monereau, 2008, p. 182). He also presented the advantages of the concentration strategy by vertical or horizontal integration. In the first case, the tourism company which use it benefits from the point of view of selling management (client's management, under capacity reduction, new sales channels, new elements from the chain value integration, the hotel and charters activities independence, revenues fluctuation reduction and profit rates ). In the second case, the horizontal integration is a way of the clients number increase, economies of scale, the increased power of buying, diversification for risk reduction, higher rate of increasing in the emergent economies). Beatrice de Rochefoucauld analyzed the French tourism and she noticed the concentration trend in this sector, both in the accommodation, food, transportation, and in the tourism product and distribution activities (Beatrice de Rochefoucauld, 2007, p. 56). She emphasized the added value resulted from the networks like volunteer associations, franchising, alliances, common internet platforms. Other authors outlined the characteristics of the new tourism as a postmodern one (the metanarrative of mobility), where the business organizations practice a “diagonal integration” (strategic alliances) and the destination systems are sustainable, re-engineered, coordinated and offering an increased security (Bulahis and Costa, 2011, p. 100). They also use the concept “coopetition” in describing the global partnership between the tree big alliances in airline transportation, One World, Star Alliance and Skyteam (Buhalis and Costa, 2011, p. 101). Other studies emphasis the possibility to analyze the tourism networks from the computer science perspective (named hyperlink analysis), by comparing a www network with a real one, showing the importance of such approach for tourism destination researches (Baggio, 2008, p. 1). In the tourism area web based networks are also very important for customers,, especially youngsters, “was born with technology, traveling more than ever in different locations different and that require new technologies to meet their needs” (Dospinescu and Perca, 2011).

## CONCLUSIONS

The globalization, driven by markets deregulation and by internet and new communication technologies development, has changed the companies' environment, bringing to them both opportunities and menaces. They could benefit from the opportunity to operating in other countries and to expand their market, but also to operate in the context of an increased competition. One of the most important elements of their management is represented by the organizational structure, accordingly to their new business strategies formulated as an answer to these changes. The multinational companies adapted their business model to profit from the globalization by cooperation (partnerships, strategic alliances, business networks, virtual enterprises) and building new kinds of structures, which allow them to increase the value added on the chain value (by reducing costs, sharing knowledge between different actors/ firms entered into the alliance, by innovating and risk reducing). Not only the big /multinational companies won from these changes, but also small companies have profit from the cooperation between each other or with the larger companies.

Tourism firms took part in this game, in order to increase the quality of products and services offered to their customers and to perform in their area.

The network has been studied both by the sociologists, mathematicians and economists, who tried to define different concepts related to this subject and to develop adequate theories to the context of the new firms' environment (new communications technology, the internet, the increased competition and the pressure to find new competitive advantages).

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**ANNEXES**

Table No. 1  
*Network approaches in different area studies*

<b>Study area</b>	<b>Theories</b>	<b>Authors</b>	<b>Definition/Approach</b>
Mathematics	Complex systems network theory	Euler, 1708	Provides techniques for analyzing structure in a system of interacting agents, represented as a network. The network is viewed as a diagram containing the elements symbolized by edges and the connections between which are made by nodes.
Sociology	Social entities – Network anthropology approach	Simmel, 1908 Redcliffe Brown	Studied the social entities  Anthropological aspects of networks Highlighted the importance of social organizations, relationships and interactions in influencing the individual decisions, beliefs and behaviors..
	Social entities	Barnes, 1952	
	Actors-network theory	Michel Callon, Bruno Latour and John Law	A theoretical approach to better reveal the complexities of our sociotechnical world.
Management	Business network	Andersson  Wilkinson and Young, 2002	The totality of the relationships of firms engaged in production, distribution and the use of goods and services  The firm competency is based not only upon its own resources and their efficient use, but also upon the other firms' resources and the nature of their relationships A web of relationships between linked organizations
	Strategic alliances	Malen and Adams, 2008 Gulati, 1998	A voluntary arrangements between firms involving exchange, sharing, or codevelopment of products, technologies, or services
	Virtual enterprise	Rojas et. al., 2012	Virtual Enterprise is “one form of collaborative networks that allows partners to exploit emerging business opportunities in a flexible way”.

Source: The author work