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COOPERATION – THE FORM OF SUSTAINABLE TOURISM INDUSTRY IN LATVIA*

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Abstract. This paper draws attention to building networking and partnership amongst the market players of tourism industry in Latvia. The authors define cooperation as a process, which manifests in all fields of business operations, e.g. it occurs when two or more parties (enterprises) have business objectives which are mutually dependent. There are many ways and forms of cooperation that are of choice for every entrepreneur – *formal and informal, vertical and horizontal, centralised and decentralised* and others; it is just needed to evaluate all the benefits and contributions when to choose to compete and when to cooperate.

Keywords: tourism industry, horizontal and vertical cooperation, networking, partnership, Latvia.

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1. Introduction

While building up strategic plans for the business development and thinking of the possible ways of increase of competitiveness, it is worthwhile to consider possible cooperation possibilities even with the competitors. Cooperation as a process is something that can be found in all fields, but from the point of business analyses when we study cooperation between enterprises, cooperation occurs when two or more parties (enterprises) have objectives which are mutually dependent. There are many ways and forms of cooperation that are of choice for every entrepreneur – formal and informal, vertical and horizontal, centralised and decentralised and others; it is just needed to evaluate all the benefits and contributions when to choose to compete and when to cooperate.

In the paper author will limit the practical study at one industry - tourism sector enterprise analyses. The *research paper aims* are:

- investigating the tourism industry enterprises in Latvia,
- identifying forms and scope of cooperation of Latvian tourism enterprises,
- analysing and comparing forms of cooperation of different tourism enterprise sectors such as accommodation, travel agencies, tourism transport, tourism information, catering, etc.

The methods applied in the paper are as follows: the authors used extensive compilations of statistical data (secondary data) from the Statistical Department of the Republic of Latvia; also an empirical survey was performed in October-December, 2004, amongst 80 Latvian tourism enterprises in order to determine the degree of cooperative potential on the tourism market of the country.

2. Concepts of cooperation, partnership and networking

2.1. On cooperation

Cooperation as a very interesting field of research sets some difficulties – the term is so widely used and has omnipresent in all the fields of human and not only human activities. You can find different forms of cooperation in people relations, as well as in relations between different countries. In this paper the author will set the borders for cooperation analyses to inter-firm cooperation. From the point of enterprises, Axelsson and Easton (1994) state that cooperation occurs when two or more parties (enterprises) have objectives which are mutually dependent.

There is a list of more or less close synonyms for the word "cooperation" – "cooperation networks", "collaboration", "partnerships" etc. Here, in the article they will be used as close terms that encompass long-term relationships between enterprises and organisations.

The cooperation has *various forms,* and they can be structured by different factors (Amato 1999):

- formal or informal,
- horizontal or vertical,
- private, public,
- centralised or de-centralised etc.

One criterion for division is level of formalization – formal and non-formal or informal cooperation networks. Examples for formal cooperation are – dyadic networks, like ownership, interlocks, formal exchanges, subcontracting, reciprocity, – joint activities in production, sourcing, R&D, promotion, consortia, investment in the third parties, like joint ventures, trade associations (Axelsson, Easton 1994).

Informal cooperation networks can include informal transfer of information, social norms and even people.

Other factors for the cooperation network spiting could be horizontal and vertical networks. According to Harrigan (1985), horizontal cooperation networks are between the enterprises that are in the same business field, vertical cooperation networks, on the contrary, join enterprises that operate in different business fields. Among the benefits of vertical integration are: reduction of transaction costs, guaranteed supply of features, improved internal coordination, broader technological capacity and biggest difficulty of entering the market (Buzzell 1993). The adequate development of the integration strategies, according to Krippaehne *et al.* (1992), requires the following actions by the firms:

- to prevent the internal development of capacities that can be satisfied by external firms;
- to develop good relations with the group of subcontractors and suppliers they work with;
- to appeal to other pre-qualified firms to monitor the conditions of market price and technology;
- to reduce its amount of work performed with proper features, disintegrating in some way, mainly in case of those with a low profit margin;
- to be aware that, whichever the strategy adopted, it must be constantly revised.

Harrigan (1983) describes four generic strategies of vertical integration, each with different degrees of transferences and different internal investments and each implying bargaining power with adjacent industries. These strategies are described (Harrigan 1983; Eccles 1981) as follows: a) *fully integrated strategies:* the fully integrated firms internally buy or sell all required for a particular material or service internally. They have the highest degree of internal integration; b) *taper-integrated strategies:* taper-integrated firms rely on outsiders for a portion of their requirements. Taper integration means that the firm purchases or sells the remainder through specialized suppliers, distributors or competitors that are not so integrated; c) *quasi-integration:* quasi-integrated firms need not own 100 % of the adjacent business units in question, but they may consume or distribute all, some, or none of the outputs or inputs of the adjacent, quasi-integrated unit; d) *non-integrated strategies:* firms simply buy raw materials or assemblies when needed.

2.2. On partnerships

Partnering has been seen as a tool for improving the performance of business operations process and emphasizes the way it helps to create synergy and maximize the effectiveness of each participant's resources. As Barlow *et al.* (1997) suggested to define partnership as *a long-term commitment between two or more organizations for the purpose of achieving specific business objectives by maximizing the effectiveness of each participant's resources. This requires* *changing traditional relationships to a shared culture without regard to organizational boundaries. The relationship is based upon trust, dedication to common goals, and an understanding of each other's individual expectations and values.*

Partnering is understood as a set of collaborative processes, which emphasizes the importance of common goals. The basis of partnering is a high level of inter-organisational trust and the presence of mutually beneficial goals. Partnering means a management process that helps the strategic planning to improve the efficiency of the enterprises, and forms a team with common objectives (Garnet *et al.* 1998). According to Bresnen and Marshall (2000), partnering aims to reduce the adversarialism which is said to be typical in the industry and which has confounded previous attempts to encourage better integration and cooperation between contractual partners.

Barlow *et al.* (1997) mention 6 successful factors of partnering: building trust, teambuilding, the need for top level commitment, the importance of individuals, the strategic movement of key personnel, and the need of open and flexible communications. Corbett *et al.* (1999) and Dainty *et al.* (2001) quote as common benefits in a partnering relation: reduced costs, shortened delivery time, improvement of quality, better working atmosphere, and organizational learning.

Partnering classification focuses on the duration of cooperation between partners. Two main types of partnering are found in literature: project partnering and strategic partnering or long-term partnering.

Project partnering is a cooperative relationship between organizations for the duration of a specific project (Barlow *et al.* 1997). At the end of the project, the relationship is terminated and another partnering may commence for the next project (Kumaraswamy, Matthews 2000). London and Kenley (2001) state that if these firms do not meet again in another project, the learning effect reached on the particular project will be eliminated.

Strategic partnering is a relationship with a high level of cooperation between partners (Barlow *et al.* 1997), which takes place when two or more firms use partnering on a long-term basis to undertake more than one construction project, or some continuing activity (Kumaraswamy, Matthews 2000). In this kind of partnering, the learning achieved in a specific project is more likely to be used in future projects.

In the context of a strategic partnering, Cheng and Li (2001) quote that it becomes a management philosophy that is expected to work continuously for each and every project and there are more expectations from team members than for a project partnering.

Cooperation between different types of sectors has resulted in the development of concepts that are used even in every-day speech, such as public-private partnerships, private-private cooperation; sometimes the academic partnerships are marked out separately.

2.3. On networking

The term *network* usually refers to a set of nodes and relationships that are connected. Grandori and Soda (1995), focusing on organizational theory, see networks as nexus of integration mechanisms encompassing all the range of organizational inter-firms coordination and cooperation. The proposition is that networks compete with networks, rather than simply firms with firms. It follows that networks encompass both upstream and downstream firms (Lamming *et al.* 2000; Zeffane 2004).

In consummate cooperation, both parties work together to a mutual end, responding flexibly, sharing skills and information (Wallenklint 2001).

Harland *et al.* (2001) determined that networks differ in degrees of complexity, concentration of power balance, environmental diversity and stage of network development. Grandori and Soda's (1995) classification focuses on power balance and divides networks in: (1) symmetric, parity-based or equity networks and (2) asymmetric, centralized or non-equity networks. Harland *et al.* (2001) classifies networks according to their behaviour: (1) opportunistic networks and (2) non-opportunistic networks.

The structure of the cooperation and the distribution of the power within a network also appoint two extremes for networks – centralised cooperation networks or decentralised networks (Tikkanen 1997).

3. Specifics of cooperation in tourism industry

There are several specifics from the point of view of cooperation networks in tourism as a service sector industry.

Tourism industry is considered as a very heterogeneous sector, it encompasses such diverse sections as accommodation, travel agencies, catering, tourism transportation, tourism information and other sectors. Even WTO highlights that what is surprising is that these cooperation partnerships are quite actively forming in a sector that has traditionally been viewed as fragmented industry (WTO 2003). Canadian Tourism Commission is listing the following types of cooperation partnerships between tourism enterprises – consortium, joint-venture, strategic alliances, cooperative marketing, value-chain relationships, organization networks, outsourcing (WTO 2003).

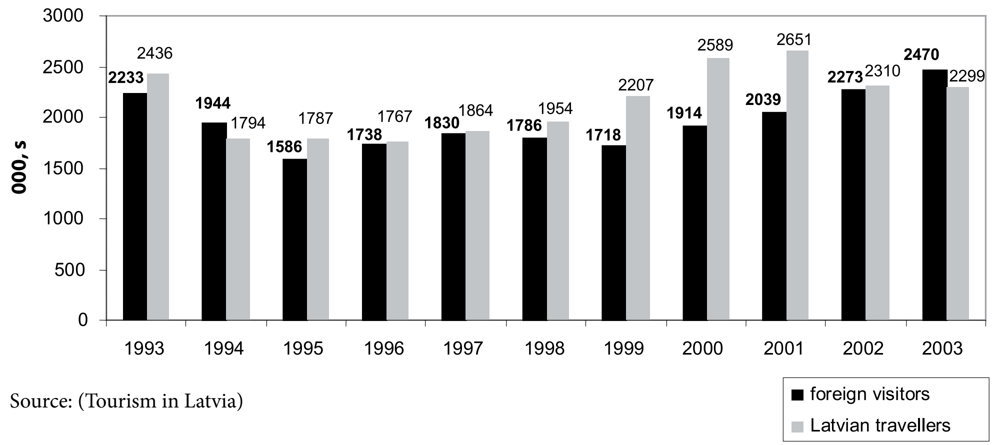
There are several specific characteristics of tourism product that influence all these forms of cooperation setting some singularities. In tourism industry it is not so clear vertical cooperation as for other economic areas (the very traditional example – *automobile* industry). Potential tourist has several possibilities how to purchase tourism services – to be self-dependent and to contact suppliers by himself directly; or an other extreme – to go to the tourism intermediates, such as travel agencies, as by a whole tourism package with all necessary services included (Holovejs 1999; Denis 2000). By all means there are many ways for the tourism product distribution and purchasing possibilities that have no strict system tourism product development, as it is, for example, for automobile as a product.

4. Cooperation between Latvian tourism enterprises: the review of secondary and primary data

After a very uncooperative period in the beginning of 90s, when tourism enterprises were more just purely competing and fighting, nowadays tourism enterprises in Latvia quite favour the cooperation.

Even though that cooperation level is not the only influencing factor of tourism industry development, the period of non-cooperative enterprise strategies as you can see in Fig. 1, is characterised by a decline or stagnation foreign travellers number.

From the eighty surveyed Latvian tourism enterprises in October–December 2004, which include *travel agencies, hotels, guest houses, tourism transport companies, tourism information*



Source: (Tourism in Latvia)

Fig. 1. Dynamics of incoming and outgoing travellers in Latvia 1993–2003

centres, museums, palaces, restaurants etc, only two indicated that had no forms of cooperation with other tourism enterprises (Fig. 2). In this way the cooperation level between the tourism enterprises is 97,5 %. When researching Latvian tourism enterprises, included in the survey, we can conclude that the variation of the age of company is 1–50 years of operation, but the average is about 8 years (Fig. 3).

Most of surveyed enterprises were small and medium ones (SMEs), and this is characteristic of Latvian tourism industry, reaching a high level (99 % of SMEs) of the total number of tourism enterprises (Table 1).

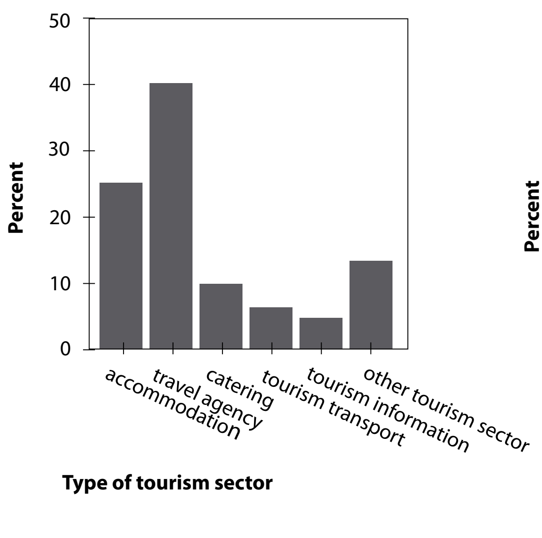


Fig. 2. Surveyed Latvian tourism enterprises divided by tourism sector, 2004

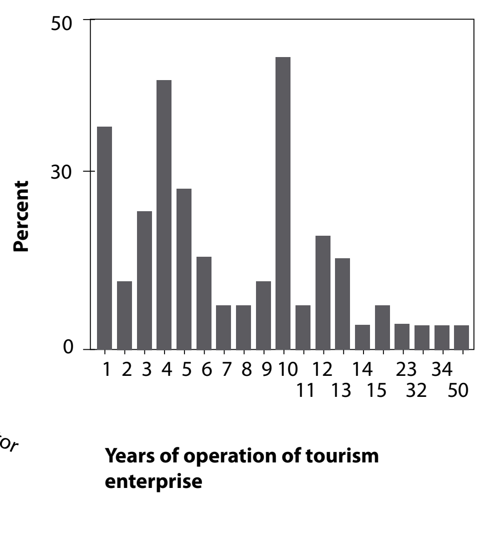


Fig. 3. Variation of the age of the surveyed Latvian tourism enterprises, 2004

Table 1. Frequencies of the size of the surveyed Latvian tourism enterprises, 2004

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	micro	35	43,8	43,8	43,8
	small	36	45,0	45,0	88,8
	medium	7	8,8	8,8	97,5
	large	2	2,5	2,5	100,0
	Total	**80**	**100,0**	**100,0**	

Table 2. Location of the surveyed tourism enterprises, 2004

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Centre of the city	65	81.3	81.3	81.3
	City/ outside of the centre	11	13.8	13.8	95.0
	Outside the city	4	5.0	5.0	100.0
	Total	**80**	**100.0**	**100.0**	

Table 3. Number of cooperation sectors amongst Latvian tourism enterprises, 2004

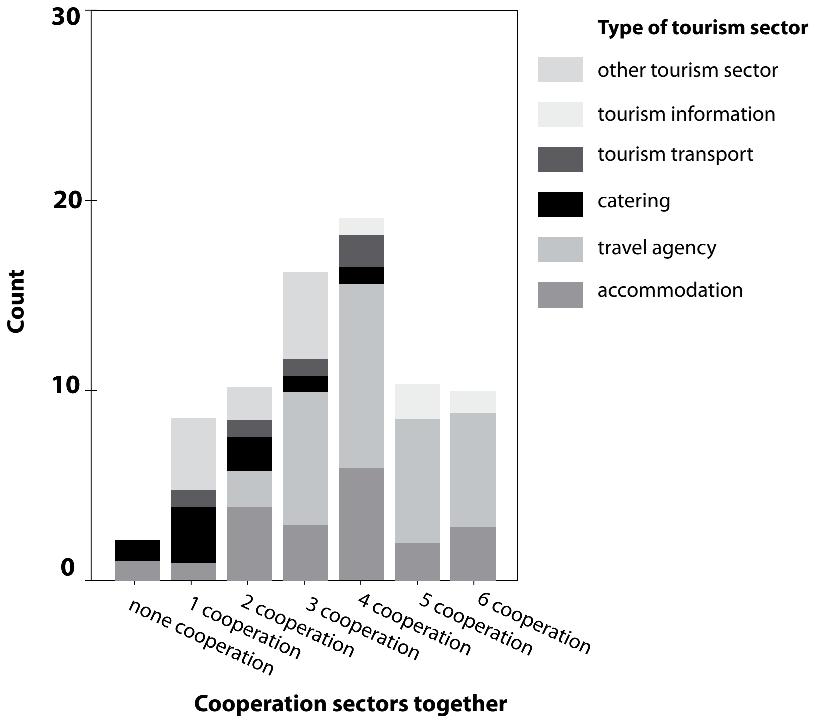
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	none cooperation sector	2	2.5	2.5	2.5
	1 cooperation sector	9	11.3	11.3	13.8
	2 cooperation sectors	11	13.8	13.8	27.5
	3 cooperation sectors	17	21.3	21.3	48.8
	4 cooperation sectors	20	25.0	25.0	73.8
	5 cooperation sectors	11	13.8	13.8	87.5
	6 cooperation sectors	10	12.5	12.5	100.0
	Total	**80**	**100.0**	**100.0**	

Source: primary data from the survey, performed by the authors, 2004.

Most of Latvian tourism enterprises included in the survey were centrally located in major cities of the country – *Riga, Liepaja, Ventspils, Jelgava, Valmiera, Cesis Sigulda, Jurmala* etc (Table 2). Only a few were located outside the city - in *countryside*.

Most of Latvian tourism companies have cooperation partners in 3–4 different tourism sectors including *horizontal* as well as *vertical* forms of cooperation (Table 3). Mean of cooperation sectors amongst Latvian tourism enterprises is 3,46.

The most common cooperation partner are the travel intermediates – travel agencies – more than three thirds of all surveyed enterprises are in cooperation with them (Fig. 4). Tourism transport companies, accommodation establishments, tourism information centres are quite often mentioned as a cooperation partners, but the least active in cooperation with tourism enterprises are the catering establishments.



Source: primary data from the survey, performed by the authors, 2004.

Fig. 4. Number of the cooperation sectors divided by Latvian tourism enterprise type, 2004

Dividing more specific analyses for each type of tourism enterprise, the authors will include distributed analyses of cooperation activities for each type – which companies cooperate with what type of enterprise.

For accommodation sector the most frequent cooperation partner – for more than 4/5 of respondents - are travel agencies that provide hotels and guest houses with extra customers (Fig. 4). Obviously, the intermediates will take their commission, but at the same time they build an international information channel even for a small hotel in the countryside. Accommodation sector is quite active in horizontal cooperation with other establishments of this field, 70 % of all hotels cooperate with each other either taking part in such formal networks as associations (Hotel and Restaurant Association, Country Holidays) or cooperating on informal bases between similar hotels, for example, sending the clients to a partner in case of overbooking. Hotels are not too cooperative with catering sector (as there is a restaurant in the most of the hotels) as well as with attractions. Normally, there is a possibility to obtain information at the hotel, but most of the surveyed accommodation establishments have not a closer cooperation.

All surveyed travel agencies cooperate with tourism transport companies, providing in this way their customers with airline tickets, bus trips, car hire, journey by the ferry or cruise, or rail; and 88 % of all these tourism intermediates cooperate with accommodation establishments. It is also possible to cooperate with tour operators and sell the tour packages without direct contact with different accommodations. Travel agencies are quite passive in cooperation with catering establishments.

Even though catering sector establishments were not so extensively surveyed as the two above-mentioned main tourism sectors, the survey shows that catering establishments are not so active co-operators with other tourism companies. In the same way they are not so active in horizontal cooperation – less than half are of catering establishments and cooperate with similar enterprises.

Unlike catering establishments, transport sector companies have gained use of horizontal cooperation reaching a hundred percent level by having partnerships with similar companies or taking part in transport associations. Transport sector establishments, though few one in survey, clearly show the tendency-hat are not too active co-operators with tourism information centres and catering establishments.

All surveyed tourism information centres cooperate with accommodation establishments providing the tourists with a possibility to book accommodation on the spot. A sufficiently active partnership tourism information centres maintain with transport companies (at least they see transport companies are co-operators), different entertainment establishments, attractions, museums etc. Even though there is an association for tourism information centres, they are not too active in horizontal cooperation and cooperation with such tourism intermediates as travel agencies.

It is a method for increasing the enterprise competitiveness. Accordingly, the enterprises need to assess the cooperation, possible benefits as well as every cooperation network or enterprise involved.

5. Conclusions

As indicated in the paper, integration strategies could be realised through cooperation, partnership building and networking; they require the following actions by businessman: to prevent the internal development of capacities that can be satisfied by external firms; to develop good relations with the group of subcontractors and suppliers they work with; to appeal to other pre-qualified firms to monitor the conditions of market price and technology; to reduce the amount of work performed with proper features, disintegrating in some way, mainly in the case of those with a low profit margin; to be aware that, whichever the strategy adopted, it must be constantly revised.

The most common cooperation partner are the travel intermediates – travel agencies – more than three thirds of all surveyed enterprises in Latvia cooperate with them. Accommodation sector in the country is quite active in horizontal cooperation with other establishments of this field, 70 % of all hotels cooperate with each other either taking part in such formal networks as associations (Hotel and Restaurant Association, Country Holidays) or cooperating on informal bases with similar hotels, for example, sending the clients to a partner in case of overbooking. Hotels do not cooperate largely with catering sector (as there is a restaurant in most hotels) as well as with attractions. Normally, there is a possibility to obtain information at the hotel, but most of the surveyed accommodation establishments lack a closer cooperation. All surveyed travel agencies in Latvia cooperate with tourism transport companies, providing in this way their customers with airline tickets, bus trips, car hire, journey by the ferry or cruise, or rail; and 88 % of all these tourism intermediates cooperate with accommodation services.

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BENDRADARBIAVIMAS – DARNAUS LATVIJOS TURIZMO FORMA

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Santrauka

Šiame straipsnyje autorės dėsto darnaus turizmo principus Latvijos rinkoje, pasitelkdamos tinklų ir partnerystės konceptus. Visų pirma autorės pateikia bendradarbiavimo sampratą, kuri apibūdinama kaip procesas, pasireiškiantis visose verslo operacijose, t. y. kai du arba daugiau partnerių (įmonių) kuria strateginius susijusius verslo tikslus. Straipsnyje aptariamos įvairios bendradarbiavimo formos, kurios galėtų skatinti darnaus turizmo plėtrą Latvijoje, t. y. formalus ir neformalus, vertikalus ir horizontalus, centralizuotas ir decentralizuotas. Straipsnyje pateikiami pirminiai empirinio tyrimo, atlikto 2004 m. Latvijos turizmo rinkoje, duomenys.

Reikšminiai žodžiai: turizmo industrija, horizontalus ir vertikalus bendradarbiavimas, tinklai, partnerystė, Latvija.

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