



Hotel networks and social capital in destination marketing

Yvonne von Friedrichs Grängsjö

*Department of Social Sciences, Mid Sweden University, Östersund,
Sweden, and*

Evert Gummesson

Stockholm University School of Business, Stockholm, Sweden

Abstract

Purpose – The paper provides insights into destination marketing and the conditions and outcome of competitor co-operation in a local, horizontal hotel network. The specific purpose is to uncover the mechanics of such a network and offer a theory together with recommendations for practice and future research.

Design/methodology/approach – In contrast with manufactured goods, which are distributed to the market, destination marketing distributes customers to a service production site. This basic prerequisite has effects on marketing strategies and the networking of competitors, and so has the fact that the services are in part delivered in interaction with customers and between customers at a physical place. The paper is based on inductive case study research, and the observations and conclusions from the empirical case data are given precedence over extant theory. The case, the Hotel Group, is a hotel network in the town of Östersund, Sweden. The case is directed towards certain strategic business-to-business elements of destination marketing.

Findings – The study shows that the Hotel Group has found a success formula. Among the results are that a drive for action, both planned and improvised, is more decisive for success than plans and expressed intentions; that networking is facilitated when local competitors build social capital through trust and commitment in action; and that competitors have to adhere to certain basic principles, strike a balance between seemingly contradictory strategies, and live by an agreed code of conduct.

Research limitations/implications – The case study lays bare the need to rethink certain mainstream vantage points used in research. These include departure from the notion of small- and medium-sized businesses as autonomous economic entities and consider them part of networks; recognition of the social context and synergy of a network organization and its code of conduct; and learning to manage a social network by balancing seeming paradoxes and opposites. The study is temporally limited and does not forecast the sustainability and robustness of the network and its success formula over time and under changing conditions.

Practical implications – The study offers normative and actionable insights about the success of a horizontal tourism network. The network members should adhere to three basic principles: show enthusiasm, give time, and contribute to financing; they have to perform balancing acts between the collective and individual, co-operation and competition, and planning/intention and action; and they have to follow a seven-point code of conduct.

Originality/value – The paper contributes to a theory of co-operation in marketing networks. It empirically examines network mechanics when local competitors take action to improve their individual situation by improving the collective competitive position on the market, provides insights into destination marketing and the conditions and outcome of competitor co-operation in a local, horizontal hotel network.

Keywords Horizontal management, Social accounting, Marketing, Case studies

Paper type Research paper



Problem, purpose and research questions

The paper is a contribution to co-operative marketing theory specifically addressing the service intensive tourism sector and strategies for marketing and developing a tourist destination. It is based on case study research of successful destination marketing through a co-operative network of hotels in the town of Östersund, Sweden. The problem that initiated the study was our curiosity about the possibility for competing enterprises in local proximity, with the same market and similar or complementary offerings, to collaborate through a horizontal marketing network and thereby attract more tourists to a destination for the collective benefit of all stakeholders. The specific purpose of the paper is to uncover the mechanics of such a network, perform analysis and interpretation and from that design a theory that contributes to practice and inspires future research. The purpose was translated into the following research questions:

- RQ1.* Is it possible for small- and medium-sized tourism enterprises (SMTEs), who are local competitors in tourism, to take specific action to market and develop their own enterprise and simultaneously improve their collective competitive position?
- RQ2.* What types of relationships develop in networks when the actors are local competitors on the same market?
- RQ3.* How can social capital and trust be developed in a network to facilitate action-oriented destination marketing?

Background

The image of a company as an autonomous entity has been fostered in economics and business disciplines and the marketing literature in general is preoccupied with large corporations with growth as a priority objective. Today, this view is accompanied by efforts to understand small- and medium-sized enterprises (SMEs), where enterprises work together in a community – a network – to develop and strengthen the competitiveness of their companies. Since the beginning of the 1990s, studies of the processes of local development have increasingly focused on the importance of the contextual situation and the social capital represented by a certain place (Putnam, 1993; Grabher, 1994; Gordon and McCann, 2000; Johannisson *et al.*, 2002; Wigren, 2003). Grönroos (2000) and Gummesson (2006) advocate a systemic and contextual approach to marketing and management. In similar vein, business-to-business (B2B) researchers Håkansson and Snehota (1989) point out that “No business is an island”. Gummesson (2006) urges a paradigm shift to a new logic adjusted to the “value-creating network society”. Grönroos (1997, 2000) calls for a paradigm shift away from the 4 Ps of marketing management to relationship-based marketing and a service competition logic. Sheth and Parvatuyar (2000, p. 140) claim that:

... an alternative paradigm of marketing is needed, a paradigm that accounts for the continuous nature of relationships among marketing actors.

Vargo and Lusch (2004a, b) propose a “new service-dominant logic” and Lovelock and Gummesson (2004) demand a new paradigm for services marketing based on more realistic assumptions.

The concepts of proximity and trust have gained importance when trying to understand SMEs in a local environment (Putnam, 1993; Morgan and Hunt, 1994). Porter (1998) along with Boari *et al.* (2003) show that co-operation among firms in geographic clusters is a powerful determinant to gain competitive advantage for both the clusters as such and their individual member firms. Many argue that economic development is not only about competition, but also demands co-operation, trust and shared values (Putnam, 1993; Brandenburger and Nalenbuff, 1996; Porter, 1998; Gummesson, 2002).

In the literature, co-operation and competition are often, implicitly or explicitly, studied from the perspective of companies that are in vertical co-operation. They manufacture complementary and exportable goods where the consumption takes place away from the local context (Bengtsson and Kock, 2000). The tourist product particularly differs from manufactured goods in three ways:

- (1) the tourist must be imported to the production site, the destination;
- (2) the tourist product, being service-intensive, involves the tourist as co-producer and active participant in production and delivery, which are in part simultaneous with consumption; and
- (3) the tourism production involves a co-operative collective body as well as individual business competition in local proximity.

Our approach is that tourism businesses operate in contexts where social interaction occurs through networks of relationships in local proximity. It is about B2B co-operation as a platform for strengthening the position both in B2B and business-to-consumer (B2C) markets.

To explain our understanding of the problem, to fulfil the purpose and to answer the research questions, it is necessary to describe the institutional frame of the local hotel case. The study is primarily inductive and empirical but its analysis deploys several theories and structures from literature. We will not refer to these at length but consider those parts that directly apply to the case; we will keep the focus on the empirical case and what it tells us. As networks are in the core of the study, for those who want fuller accounts of network theory and its application in marketing are referred to the extant literature. For network theory applied to all types of marketing, see Gummesson (2006); specifically applied to B2B, see Håkansson and Snehota (1995); and for general network theory from social sciences see Degenne and Forsé (1999) and from natural sciences, see Barabási (2002).

On small- and medium-sized tourist enterprises

Of all enterprises in Sweden, 99.7 per cent have less than 250 employees and are categorized as SMEs. The majority of enterprises (94 per cent) have nine employees or less (Nutek, 2004). The one-person business (self-employment) is the most common, accounting for nearly 70 per cent of all firms. This is similar to the average of the European Union (EU) based on the 15 member nations before the 2004 influx of new members (Eurostat, 2000).

The dominance of SMTEs has consequences for the marketing of a destination as a competitive product. The shortages of human and financial resources in SMTEs together with the seasonality of tourism are obstacles for firms to invest in marketing. In 1999, the administrative board of the county of Jämtland, to which the town of Östersund belongs, wrote on its web site:

The tourist industry mainly consists of several small businesses who lack ability to build competence for approaching international markets The tourist businesses are dependent on local, regional, national and international co-operation to reach their customers and to be able to offer a competitive product (Länsstyrelsen, 1999).

A number of the most recent marketing and development projects in tourism in Sweden contrast the static and classic planning model against an action-oriented approach to entrepreneurial development. The actual outcome of a project is more often plans, that is, expressed intention to action, than actual action (von Friedrichs Grängsjö, 2001). In the planning models proposed in the standard literature on marketing management and strategy, the supplier is an autonomous unit who controls the resources to be used (Porter, 1980; Kotler, 1997). According to network models in B2B marketing, a company should not start its marketing based on own resources alone, but seek membership in networks to access a wider range of resources (Möller and Wilson, 1995; Gadde, 2000; Gummesson, 2006).

Ownership of resources that go into the tourist product is spread among a large number of actors inside and outside the tourist destination. Marketing and developing the destination – the shared base product – therefore becomes a complex issue involving networks of enterprises that are not controlled by a single actor or a central management. Conflicts of interests may impede the development of a network as the goals of individual enterprises may differ widely (Jamal and Getz, 1995). This is a major reason for the difficulties and turbulence facing those who try to organise action-focused development in tourism.

If we are to organise towards common development goals we need to consider alternative approaches to organisations as unified and independent structures. Lindberg and Czarniawska (2003) suggest that instead of focusing on individual actors, we should view an “action net” as the basis of a common development strategy. According to Weick (2001), if we want organisations to be vehicles for action, we should start to treat organising as improvisation rather than as architecture. Instead of thinking structures, we should think flexibility, adaptation and processes. However, there are often more ideas and perceptions of these processes than the network actors can ever apply, so there is need for agreement to make coordinated action possible. It is comparable to improvisation theatre where all actors need to “have equivalent views of what is happening and what it means” (Weick, 2001, p. 58). Because of their shared interest in attracting tourists to a destination, the network members must also share goals and activities.

However, improvisation allows for both co-ordination and individual expression. It is about understanding organising as a process in which the shape of things is constantly changing depending on the action of those involved. Weick (2001) argues that improvisation implies that it is “attention” rather than “intention” that is the moving force behind the processes that continually shape and reshape organisations. This means that the network members must take an active role in the processes rather than simply express interest and intention.

Before we enter the empirical case, two brief sections on tourism networks and social capital are added to the conceptual framework.

Networks in tourism marketing

The product “tourist destination” is a spatially fixed place, where a large number of enterprises offer bundles of services for tourists. In such a context value is the

outcome of co-creation involving customers and suppliers in an interactive, experiential and relational form (Edvardsson *et al.*, 2005). The tourists themselves compose the product by choosing among different goods and services provided by firms in close proximity to each other. At the destination, the firms compete for the visitors' time and wallet even when they provide complementary products. To be successful, enterprises have to combine and balance their autonomy with organisational interdependency. Granovetter (1973, 1985) puts emphasis on "embeddedness"; economic organizations are embedded in networks of interpersonal relationships and larger social structures (Halinen and Törnroos, 1998). The firm's dependency on both co-operation and competition becomes a key issue. Even if an individual company at a destination feels autonomous, it represents just a single component of the total tourist product. To attract and keep customers, enterprises need to develop and market their own products and services, but also to show concern for the entire destination's development and marketing. Companies are thus obliged to co-operate with competitors in their shared locality. Such co-operation in networks is a possible solution for destination marketing and development (Jamal and Getz, 1995; Palmer and Bejou, 1995; Tinsley and Lynch, 2001). But Tinsley and Lynch (2001, p. 377) conclude that there is limited research about "the nature of networks and their collective operation within a destination . . ."; and Jamal and Getz (1995) that:

. . . the facilitators and inhibitors in community-based tourism domains need to be identified through empirical research in order to understand the conditions under which collaboration can be used as an process to resolve problems and advance "shared visions".

The value of the tourist product, both to the customer and provider, emerges when the customer arrives at the production arena, the destination. Without tourists in place, the provider stands idle (Grängsjö, 1998). A destination therefore includes multiple types of actors. Apart from hotels, these can be restaurants, retailers, gas stations, tour operators, museums and so on with widely differing economic frameworks, organisational structures and forms of co-operation. However, in traditional marketing management literature the destination as a construct of organizational networks is hardly ever discussed (Kotler *et al.*, 1999).

The increase in competition between tourist destinations has been prompted by globalisation and rapid expansion of information technology (Buhalis and Cooper, 1998). Networks have attracted a great deal of attention and have widened the perspective on organising for the development of economic systems such as tourism (Weaver and Oppermann, 2000; Buhalis and Cooper, 1998). A number of studies have been made of co-operation between companies in different constellations. These studies have principally focused on vertical networks and co-operation between buyers and sellers at different levels of the supply chain, each providing complementary products or services. Horizontal networks, where the enterprises are direct rivals, have not been discussed to the same extent (Pettersson and Saarinen, 2004).

Social capital in local networks

Among the many actors from the private, government and voluntary sectors involved in producing tourism there are many different goals and motives. The required balance between co-operation and competition is also affected by the formal and informal regulations and institutions that exist in the commercial, social and political context of

the destination. The three factors – co-operation, competition, and regulations/institutions – constitute the elements of a marketing equilibrium that individual firms have to strive for (Gummesson, 1997, 2002). This is more realistic to marketing strategy than the traditional market equilibrium from microeconomics, where only supply and demand are considered on an anonymous and average mass basis.

The way a company can operate in a locality is greatly influenced by the social environment and the social interaction that takes place in networks of relationships (von Friedrichs Grängsjö, 2003). Little attention has been paid to this phenomenon in traditional studies of industrial districts. More recent studies have drawn attention to the importance of the social environment when describing business development in local proximity (Porter, 1998; Johannisson, 2000; Johannisson *et al.*, 2002; Alberti, 2003). Particular attention has been paid to the “sense of belonging”, “shared beliefs” of individuals, and socialisation. These are mental processes developed through communicative interaction between people. Among others, Weick (2001, p. 10) argues, “Information richness tends to co-vary with the extent of face-to-face personal interaction...”

Socialisation and regulations can create trust between individuals and form a principal resource termed social capital. Denk (2001) emphasises that social capital is used to facilitate action, is related to the function that is to be accomplished, and should not be confused with trust. Social capital refers to the structural elements of the relationship, while trust is in the individual’s mental sphere. Thus:

... social capital is a quality in a relationship that explains how regulations and socialisation can create and increase trust (Denk, 2001, p. 123).

The case of the Hotel Group

Our case study has examined how local hotels compete and co-operate in a horizontal network to promote both individual company interests and the competitive position of an entire destination. This purpose was translated into three research questions. In answering these a single case is used. It is an inductive approach, letting reality speak to us with as little preconceived notions as possible. It is an effort to contribute to theory generation. The validity of the case should be apparent; it clearly is an application of joint marketing of a destination to the benefit of local businesses. Generalising from a single case is a first tentative step in theory generation that should be followed by continuous comparison with other cases of destination marketing, with other types of relevant research, and with extant theory. In this way the results are also tested and an increasingly more dense and complete theory can emerge.

In search of inductively derived answers to the research questions, the case will be described and analysed in the next sections. The presentation follows a basic structure proposed by Weick (2001). He argues that to understand organising we must start by finding out who the actors are, what they do and how they do it.

Who are they?

In the beginning of the 1990s, the hotel sector in Sweden suffered a reduction in room reservations. The hotels in Östersund were hit harder than hotels in other parts of Sweden, which was difficult for the local hotels to understand. The hotels and the local government felt that they had to take action. Two of the largest hotels in the town

initiated a network to endeavour to reverse the trend. Their hotel managers approached the other local hotels to discuss the possibilities of co-operating. In 1996, they held a statutory meeting that was the start of the Hotel Group and an informal collaboration. In addition, the Tourist and Congress Office, which is operated by the town of Östersund, became part of the group. When Sweden joined the EU in 1995 it became possible to apply for funding from the EU Structural Funds to support co-operative efforts for local development. It gave the network a more formal structure with a management committee. The Hotel Group became a local horizontal network with two main objectives:

- (1) take care of the common marketing of the destination and increase the number of guest nights; and
- (2) provide further education for the hotel employees.

There are 12 hotels and 2 guesthouses in Östersund. These have ten different owners and all but one is privately owned. The hotel sizes vary from 7 to 177 rooms. Seven of the hotels belong to hotel chains. All the hotels in the town are members of the Hotel Group. The Hotel Group therefore consists of 11 people representing the enterprises and the local government.

The structure of the tourism business in Östersund reflects that of the county, which is dominated by SMEs of which only seven have more than 200 employees. The town has 58,000 inhabitants and is located in the middle of Sweden, 600 km north of Stockholm and 200 km east of the Norwegian border. It is the biggest town in the area and with its location on the lake of Storsjön and closeness to the mountains it attracts people from many nations all year round. The town can be reached by car, coach, air or rail. The closest comparable towns are Sundsvall and Trondheim. Sundsvall with 93,000 inhabitants is located on the Swedish east coast 180 km from Östersund while Trondheim with 1,53,000 inhabitants is located on the Norwegian west coast 300 km from Östersund.

To generate data we conducted interviews with the management committee of the Hotel Group. Interviews were made in 2002 and 2003 with the four hotel representatives of the committee and three representatives of the Tourist and Congress Office. The seven respondents represented 6 of the 12 hotels plus the local government. A consultant provided complementary information about the overall level of bookings and the level of external competition. The member web sites were an additional source of information.

What do they do?

Between 1997 and the spring of 2003 the Hotel Group completed five EU projects with the Tourist and Congress Office as officially responsible. Two were educational projects and three were marketing projects.

In the educational projects the main goal was to further qualify the hotel staff. One of the foremost results is increased co-operation between the hotels. The hotel staffs have got to know one another and can now recommend each other's hotels and facilities. Together they fill their hotels to ensure that the guests are satisfied. An example of how the Hotel Group encouraged staff to work more closely with the other hotels is a "stamp card" competition. When hotel employees visited other hotels they received "stamps" from the visited hotels. When a "stamp card" was full, the employee

qualified to take part in a lottery with attractive prizes. The hotel employees have also taken courses; one called “the computer driver’s licence course”.

The first two marketing projects targeted individual consumers in Norway and the third targeted groups and conferences. The marketing activities included a series of joint activities: visits to promote the destination, a marketing drive in Norway prior to the summer season, an exhibition at a trade fair, and advertising in the Norwegian press. Each individual hotel, whether belonging to a chain or not, performs its individual marketing in addition to this common marketing.

The members of the group have a two-hour general meeting every other month. They often meet at a hotel that has something of special interest to show, for example, a renovation. The management committee puts forward suggestions from the members. A list of the decisions to be taken is e-mailed before the meetings. The committee can decide directly about minor matters. Decisions are not made via a majority vote, but the group discusses the matters until consensus is reached. Those who are best equipped to implement a project take on responsibility for it and three to four of them constitute a task force. The projects often take place during a short but intensive period of time. A project could be about encouraging companies belonging to a nation-wide chain to organise a conference for their entire chain in Östersund, or filling up low season weekends where ideas and activities suggested by the members are realized.

Some of the activities have been successful, but some have not achieved the desired results. One result is that the hotels can now base their decisions on fact when making continuous assessments of their situation. The hotels report number of guest nights sold each month to the official statistical agency in Sweden (Statistics Sweden, www.scb.se). The group used an independent consultant to make reports and analyses based on the statistics, thus avoiding possible in-group bias. According to the statistics the hotels have increased the number of reservations since the Hotel Group project started and the profit per reservation has increased. The biggest increase has been in private guests. From 1995 to the end of 2002 the hotels have increased their reservations on weekdays (Monday to Friday) by 13 per cent and at weekends (Friday to Sunday) by 38 per cent. In the period January to May from 1995 to the end of 2002, the number of reservations on weekdays has increased by 5 per cent, while the weekend reservations have increased by 20 per cent. In the autumn months September to December during the same years, the increase in weekday reservations have been 14 per cent and for weekends 64 per cent. Norwegians make up a large proportion of the increase in private visitors (Nordanalys, 2004).

The Hotel Group has also monitored the development of its competitors and of the hotel sector in Sweden in general (Table I).

	Östersund	Ume	Sundsvall	Karlstad	Jönköping	Sweden
Total number of guest nights 2002	212,587	303,581	279,088	297,797	411,447	21,085,929
Changes in number of guest nights 2001-2002	+13,519	+204	+12,332	+18,147	+11,027	-665,786
Per cent	+7	0	+5	+6	+3	-3

Source: Nordanalys (2003)

Table I.
Hotel guest nights in
Östersund compared to
competitors

While the hotel sector in Sweden in general has experienced a reduction in hotel bookings over the past few years, Östersund has had an increase. The Hotel Group increased the reservation ratio of available rooms from 48 per cent in 1996 to 54 per cent in 2001 and 57 per cent in 2002. The hotels in Östersund have also increased their profit per room. In 2002, the Hotel Group was awarded the local prize “Businessman of the Year” because of their success in attracting tourists to the destination to the benefit of all the businesses in the area.

The group does not plan to expand, but it would like to see other sectors in the town initiating similar networks. Although there has been a certain amount of co-operation with other local business sectors such as retailers and restaurants, the Hotel Group has not found it easy to establish such co-operation. The group feels that new ideas have difficulty in penetrating the long established structures and positions.

How do they do it?

Throughout 1999 the Hotel Group members, who were all on the management level in their companies, participated in a leadership course. They met regularly one day a month and got to know each other well. The participants all tried to attend every meeting and pay full attention – mobile phones had to be turned off. Occasionally, the entire group spent a few days outside town. The participants felt that the course strongly supported the consolidation of the group. “The best thing has been that we now have good contact with the other hotels and co-operate well together”, says one of the group members.

In the analysis of the interviews it was found that the Hotel Group members agree that three basic principles are vital for the group: show enthusiasm, give time, and contribute to financing. They say that the success of the network is due to the active and committed participation of all members. The fact that the members have been prepared to invest both real time in attending meetings and significant sums of money has been important. Each hotel pays 0.05 euro for each room reservation per day and the town contributes the same amount. The money is put into a marketing fund. This joint initiative for local development between the private and government sectors has made it possible for the Hotel Group to obtain further financing from the EU Structural Funds.

To summarise the network, it consists of multiple stakeholders on several levels, relating to each other in a complex pattern of links and interactions (Figure 1). Using Gummesson’s (2006) distinction between three network levels we find on the market level the Hotel Group as the hub of the network, and next we find customers and competing destinations. On a mega level – above the market – there are the local, regional and national governments, and the supranational EU. Within each hotel – the nano level – there are relationships and interactions between hotel staff and managers and, if they belong to hotel chains, their headquarters. The connections shown in Figure 1 are there to demonstrate the principle and to provide an initial overview. They are simplified and incomplete as charting all the nodes and links and their properties soon becomes very complex and would require in-depth analysis beyond the scope of this paper.

The case reflects the general conditions of networks and the interdependence of their members suggested by Degenne and Forsé (1999, p. 5): networks offer opportunities but also impose constraints on individual members and their interaction; they give rights

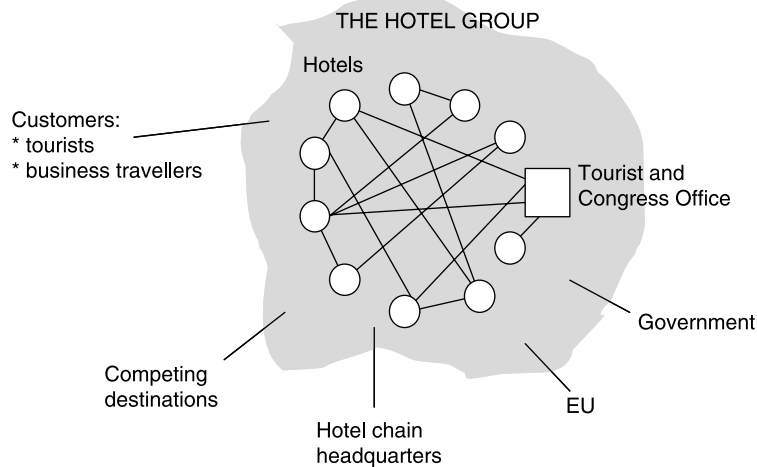


Figure 1.
The Hotel Group network

but also demand obligations; and they are more than the mere sum of individual nodes, links and interactions, becoming own entities through synergy effects.

Building social capital in destination marketing

The purpose of the study was to empirically examine under what circumstances is it possible to organise local competitors to take specific action to improve their individual situation by improving the collective competitive position on the market, in this case by boosting the attractiveness of a destination. The results show that local hotel competitors can achieve this by building social capital through a network.

What then emerged as critical in building social capital? We identified three areas that required certain balancing acts or trade-offs to reinforce network synergy and to neutralise and avoid impeding conflict. Behind the successful implementation of the balancing acts we found the need for a certain “code of conduct” for the group. The items of the balancing acts and the code of conduct to be presented in the next sections are all interconnected with fuzzy and overlapping boundaries. However, each has a different core representing a certain facet of the whole rather than being exclusive categories.

Balancing acts

Three types of balancing acts were found. They concerned the collective and the individual, co-operation and competition, and intention and action.

Balancing the collective and the individual

The feeling that many of the serious problems that the local hotels faced were common to all of them inspired the original spontaneous co-operation between the hotel managers and the local government. They decided to work together to increase the number of visitors to the destination and thus enhance the revenue of their hotels. This initiative was fully supported by the local government. Some entrepreneurial hotel managers function as the engine for the local development and their work has affected the whole service production system of the destination.

Whereas the destination marketing was for the common good, consideration must also be given to individual needs. It has been clearly demonstrated by the Hotel Group that the members have prioritised activities that lead to the fulfilment of both collective and individual goals. This observation is in line with research by Lindberg and Czarniawska (2003) who argue that to stimulate activities across organisational borders the actors' autonomy has to be respected at the same time as they are united by a collective task. We found two dimensions of such behaviour in the Hotel Group.

First, there is a strategic dimension, which has both stimulated the collective goal of the network and has contributed to the development of each individual hotel. Both the private and the public actors wanted to increase the number of visitors to the destination, increase the flow of resources to the town in general, and increase the revenue of their own hotels. The group members have attempted to chose well-defined activities and have agreed on goals in line with this strategy.

Second, a social dimension was identified. The members see the group as a place where they can freely and creatively discuss common problems and ideas for the hotel sector; the group became a sounding board for its members. The physical proximity and face-to-face contact led to the emergence of personal relationships that provided the basis for a high-trust culture in the sense it is described by Fukuyama (1995). The members found that they enjoyed working with others whom they had previously perceived as threatening rivals.

Balancing co-operation and competition

The toughest competition is felt from other destinations. Before the group developed its horizontal network there was no common marketing of the destination. The members feel that their joint efforts to encourage visitors to come to the destination also stimulate competition within the destination. For example, they say that the prime concern is not which hotel wins the contract for an event, but it is critical that the event is located to the town.

Even if the hotels work together to market the destination, they still feel that they compete once the guests arrive in Östersund. The individual hotels compete through their specific offers. One respondent concludes, "It would be difficult to extend our co-operation as we are competitors." The group members are careful not to lose the dynamic effect of an individual hotel's desire to compete. The members recommend each other's hotels when they themselves are short of rooms. The group avoids joint campaigns that could cause conflict of interest. The common campaigns directed towards the Norwegian market and conference market were not considered a threat to the balance between co-operation and competition.

This is an instance of how competitors in a geographically concentrated area can co-operate within an existing institutional framework that is historically and socially constructed (Johannisson *et al.*, 2002). The co-operation/competition occurs within formal and informal rules that constitute institutions or a code of conduct. In this way the group has achieved a working marketing equilibrium of competition, co-operation and regulations/institutions.

The hotel product is created in the production arena through interactive processes between the producer and the imported customer, but also between other actors involved in the destination. Such inter-personal and inter-organisational interactions shape the conditions for a culture that becomes part of the group's social capital.

Competing hotels with essentially the same basic product and the same target groups have succeeded in using this social capital to instil trust in one another. The feeling of trust has stimulated them to dare try different marketing strategies.

Balancing intention with action

Unlike the first two balancing acts there is no inherent, God given conflict between intention as expressed in plans and action; they would rather seem to be birds of a feather. However, in practice, groups tend to draw up grand strategies and show good intention – and then little or nothing happens. Sometimes genuine commitment is lacking, and sometimes the intentions are too demanding to be implemented within existing resources. Implementation may also occur too slowly, or not be forceful enough to leave any footprints. But the Hotel Group members managed to “walk the talk”. Any member of the group can suggest ideas, however, far-fetched they may seem, and if the group accepts them they are put into action. They decided what projects to implement and a plan and an organisation were designed for each project. They worked chiefly with short, hands-on projects but within long-term goals. The projects show that action was necessary to face the joint problem of several years with dwindling numbers of hotel guests. The negative development was to be reversed by the active participation in common marketing and further training courses. The owners and hotel managers have an action-oriented approach to how the group should work. Decisions were taken in consensus meetings and groups were then formed to accomplish each task. This has been supportive to improvisation and quick decision-making.

“The 7 Point Code of Conduct”

Underpinning the success in performing the balancing acts are a series of values and modes of behaviour. The fact that the hotels and the local government agreed on basic values for the group from the start has been critical to success. Three principles that have already been mentioned were spontaneously expressed by the group members: show enthusiasm, give time and contribute funds. In the language of Denk (2001) these are “structural elements of the relationship”. Within the basic principles and the balancing acts, the “7 Point Code of Conduct” emerged. It is presented below as generalized normative statements (with specific comments from the case study) to be considered both by researchers and practitioners:

- (1) *Enter into active dialogue.* The active discussion between the members unites the group. It allows the members to exchange ideas with others in the same situation as themselves. It helps them understand the importance of participating actively in the development of the destination. The ongoing discussion confirms and strengthens their belief in the network.
- (2) *Be efficient.* The general meetings and the management committee meetings are limited to two hours. “Swift decisions are made which makes it more fun”, says one member. They make consensus decisions and demand concrete results. Decisions are implemented and activities are carefully monitored. The respondents feel that the work of the Hotel Group has benefited its members both socially and financially.
- (3) *Be equals.* The size of the each hotel is of no significance; it is the composition of the group that is important. “The distribution of power at our meetings is based

on the fact that all members are equal”, says one member. It is crucial to be prepared to contribute energy, time and money to the group’s activities; one cannot buy oneself free from active participation. They feel that the difference between the Hotel Group project and other projects is that all members must participate actively. “It is important that there is a mutual exchange and that it is not just one person who has to do everything that the others say all the time”, says one member. The feeling is that if new members, who do not share this attitude, are allowed to join the group, the work would be jeopardized.

- (4) *Trust each other.* Everyone must understand why he or she is part of the group. It is vital that the members trust one another, as they are not only marketing their own hotel but also representing the whole destination at various events. “If members promote their own hotels at one of the common events, it would soon be noticed, as all the activities are closely followed up”, says one member. When discussing the future of the group, a respondent commented that although everyone was really interested in making money, they rarely expressed it. She said that to make money she, as self-employed, is prepared to work at least 80 hours a week.
- (5) *Share information.* Everyone is informed when something takes place and everyone feels involved. They do not, however, share all proprietary information, such as “figures and finances”. One respondent says, “We are, after all, competitors and try to gain market shares from one another”. A number of respondents said that they never discuss pricing policy in the group. Sometimes it can be difficult to get access to statistics for use in a project, especially from the larger hotels. Those belonging to hotel chains are under the control of their corporate management who are situated elsewhere. For example, one project was to examine the area codes of all the guests and place them on a map so that future marketing campaigns could be directed to relevant target areas. Some of the larger hotels were reluctant to make this information available. The central management of the each hotel had to be contacted numerous times before they agreed to provide the information.
- (6) *Meet face-to-face.* The geographical proximity and the possibility of meeting physically are of great importance. It facilitates for them to sort out mistakes or misunderstandings that may occur. Their open attitude to one another can be attributed to the courses that were held during the first year and to the fact that they meet regularly in person. It is in the close encounters that social capital is built and common norms are established.
- (7) *Have fun.* The social ties that have developed between the members have become a strong driving force. Many of the members of the group have become friends and also meet in their spare time. All respondents emphasise the importance of having fun together. In this way a relaxed atmosphere is created allowing a free flow of ideas and initiatives. It is well known that great ideas and solutions rarely occur in formal meeting but rather during totally different activities in a relaxed atmosphere.

In conclusion: contributions to theory, practice and future research

In the most abstract interpretation this paper is a contribution to a theory of co-operation in marketing networks. The theory embraces the results from the case

study and answers to the research questions. The purpose of the project was to empirically examine network mechanics when local competitors take action to improve their individual situation by improving the collective competitive position on the market. The domain of the specific case is B2B, SMEs, destination marketing, and competitor co-operation in a local, horizontal hotel network – the Hotel Group – in the town of Östersund, Sweden.

Hotel reservations were decreasing and the Hotel Group set as its objective to revert the negative trend. It uncovered a success formula and took action; it managed to boost hotel reservations by attracting more visitors to the destination. The results show that local hotel competitors can achieve joint objectives by building social capital through a network.

The network of the Hotel Group consists of multiple stakeholders on several levels, relating to each other in a complex pattern of links and interactions. Its basic structure is shown in Figure 1.

In building social capital, the Hotel Group members spontaneously discovered that three basic principles were vital for the group to achieve results and not just become another forum for discussion. In the analysis of the case three balancing acts stood out as critical for the functioning of the group, and seven points underpinning the basic principles and the balancing acts added detail to the behaviour of the group and form a code of conduct (Figure 2).

The theory generating methodology is primarily inductive but it has elicited support from elements of theories of relationships and networks, organising, social capital, tourism, SMEs and entrepreneurship. The theoretical vantage points include approaching SMEs as parts of networks which is a departure from the mainstream notion of SMEs as autonomous economic entities; recognition of the social context and synergy of a network organization; and managing a social network and its capital with a preference for action rather than planning.

The theory so far can be generalized within the domain of its empirical data. The single case has high validity as it clearly represents the substantive area that is the object of the study. An increasingly more dense and complete theory on a higher level of abstraction and generalization can emerge.

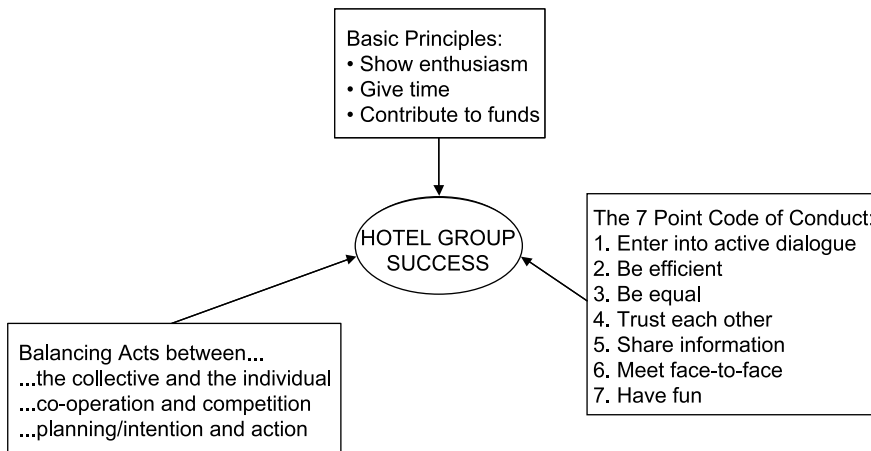


Figure 2.
Elements that build social capital with ensuing success for the hotel group

For practitioners the theory can be used as a checklist and normative guideline in marketing. It is directly applicable within its specific area of destination marketing through horizontal network co-operation. How far beyond this area it can be applied must be left to the practitioners' choice. If the whole or bits of the theory strikes them as relevant to their specific situation, and for lack of better theory, it could be used even beyond its current empirical base.

The theory can also be used as a springboard for future research; it can be developed and generalized in many directions. According to the mainstream quantitative paradigm, the next step should be to operationalise the findings, design hypotheses and test these statistically on a sample. In this way the reliability of the research is allegedly secured and eventually also its generality. Some readers no doubt find such a strategy the natural and self-evident choice.

From our scholarly standpoint, however, we recommend a different approach with support in qualitative methodology in general and in grounded theory in particular (Glaser, 2001; Gummesson, 2005). We have presented a contribution to theory generation and although we have used elements of grounded theory it is not a fully-fledged grounded theory study. The findings from the case and the effort to conceptualise them can be used as a starting point for further case study research. To develop an increasingly more general set of concepts and eventually a more general theory, continuous comparison with extant theory and future research is required. The next step would then be to study more cases of horizontal networks within the substantive areas of the marketing of destinations, tourism and hotels, using purposeful sampling to secure maximum input of relevant data. The intention then is to progressively revise the concepts and conclusions and add to the generality of the findings. The continuous theory generation with the purpose of improving theory rather than proving whether the first theory was right or wrong, becomes a natural and iterative way of testing theory, hopefully reaching a saturation point where new studies add little to previous studies.

A follow-up study of the Hotel Group is already in progress. Research questions considered at this stage include: how much of a generally applicable success formula do the findings in this first case represent? How robust are the conclusions? Can a small variation in one or two of the many factors that constitute the Hotel Group's work become a tipping point and make the group and its success collapse? How sustainable will the group's work be? This adds a longitudinal dimension to the problem and the conclusions.

A next or parallel step, still limited to destination and tourism marketing, could be to investigate neighbouring sectors such as restaurants, retailing and events. This would broaden the understanding for horizontal networks, their need for balancing acts and codes of conduct and how these turn out in practice. Going beyond destination marketing, case study research of networks in totally different sectors could be used to test and expand our knowledge of networks in general and how they work in practice.

Finally, the actual acquisition of guests to individual hotels, both B2B and B2C, could also be the object of future studies, asking the following research question: within the common ground of supportive destination marketing, how do hotels behave when they direct their attention to competitive behaviour for their individual benefit?

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Corresponding author

Yvonne von Friedrichs Grängsjö can be contacted at: yvonne.grangsj@miun.se