



LUNDS UNIVERSITET  
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# Stronger together

## Small and medium sized tour operators in a horizontal network

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SMMM02 – Service Management Master Thesis

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30st May, 2011

## **Abstract**

This master thesis aims at deepening the understanding of actors interacting with competitors from the same business field within the tourism sector. Special attention is paid to small and medium sized enterprises. In order to increase the knowledge of the phenomenon the German network *forum anders reisen* consisting of small and medium sized tour operators has been used as the case to conduct empirical material.

After the empirical study it can be concluded that diverse relationships can exist parallel to each other within a horizontal network reaching from co-existence to co-opetition and cooperation. Further personal bonds are influencing business links significantly. Additionally it became obvious that the flow of information and united creation of new information is an important part of both economic and social exchange. Often they cannot fully be distinguished from one another since they are interdependent influencing each other. The form of exchange strongly depends on the relationship of the actors interacting. While business links are often based on economic exchanges, bonds form due to the additional social exchange taking place.

With the growing size of a network it becomes more important to have a professional management team, but it is still essential to keep the members involved in the decision making process. One way of connecting members and management team is through an elected board of members. The board is responsible to ensure the flow of information in both directions.

**Keywords:** tourism, horizontal networks, interaction of competitors, exchange theory

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# 1 Introduction

*In this first chapter I introduce the reasoning behind my thoughts that narrowed down the research area and led to the research aim. Furthermore I will present the research questions, the demarcations and finally the outline of this paper.*

Today's business world is dominated by the discussion of globalization. Globalization implies many different changes in the economic and social structure all over the world and regarding this paper globalization stands for more competition in the business world. How can businesses and especially small and medium sized businesses cope with the increasing competition? In this context business networks have been closely examined. Therein the focus is put into the analysis of vertical networks along the production chain (Bengtsson and Kock, 2000). When researching tourism networks it became apparent that studies are often concerned with destination networks (Morrison et al., 2004; Scott et al. 2008; Sundbo et al., 2007). Besides for example engaging in a relationship with suppliers in order to deliver a better end product to the customer another network option is that of working together with competitors. Bengtsson and Kock (1999) stress that different types of interaction between competitors are becoming more and more important in order to be competitive in today's globalized business world.

One way of interacting with competitors is through horizontal networks and they have been investigated in industries such as the manufacturing industry in Sweden and Finland in an explorative case study by Bengtsson and Kock (2000). Additionally Wegner (2010) is discussing the importance of horizontal interactions in the German retail industry. The authors have pointed out several advantages for the respective industries such as the reduction of costs through the combination of resources and competences and the increase of competitiveness. Bengtsson and Kock (1999) stress that there is the need to expand research in order to illuminate the complex relationships on the horizontal level in other industries. Therefore a study of horizontal networks in the tourism industry is important in order to find out how actors in this industry can be influenced by interactions in horizontal networks. Additionally Wegner (2006) emphasizes that research regarding the governance of horizontal networks has so far focused on the management perspective and thus further

research is necessary considering the perspective of the network members and their perception of network management.

### **1.1 Aim**

As stated above a lot of research has been conducted on vertical relationships and networks and less on the formation of horizontal networks between competitors in the tourism industry. Therefore the aim of this master thesis is to generate knowledge of the phenomenon of horizontal networks in the tourism industry from the members perspective. The research project will aspire to illuminate how the interaction through horizontal networks influences the operations of actors operating in the same business field. Special attention is paid to the importance of networks for small and medium sized businesses in the tourism industry, specifically the tour operator sector.

### **1.2 Research question**

In order to achieve the aim, the proposed research questions are:

How is the interaction between the actors on the horizontal level organized and managed?

What are the outcomes motivating a network membership and what are the exchanges leading to these outcomes?

### **1.3 Demarcation**

This research will only focus on horizontal networks. It will refrain from taking vertical networks along the supply chain or buyer-seller relationships into account and focus on the interaction between competitors. Within the tourism sector one specific network was chosen, the framework of the case study will be discussed in detail in chapter two. Additionally it is important to note that it was purposefully decided to focus on a horizontal network consisting of small and medium sized businesses in order to find out how they can improve their economical situation. The thesis therefore does not take bigger tourism companies into account. Furthermore, this work will not cover the perspective and goals of the management of horizontal networks, however aspire to identify driving forces and expectations from the member perspective. Finally, even though sustainability is a highly

discussed matter in the tourism industry and also plays a significant role in the chosen network, the phenomenon per se will not be included in this research project.

## **1.4 Outline**

After having introduced the aim and research question of this master thesis and pointing out the importance of the research project in chapter one, the second chapter is providing an overview of the methods used in order to answer the posed research questions. Quantitative as well as qualitative methods are discussed and explained regarding the specific field work. Furthermore the third chapter discusses the theoretical framework used to enlighten the phenomenon of horizontal networks. The theories applied in this thesis cover interaction in networks in general and in horizontal network in particular and continue to investigate the motivation factors of engaging in such networks. Additionally the exchange theory differentiating economic and social exchange is discussed and finally the management of networks is investigated. In a next step the empirical findings are presented in chapter four covering the perception of the network, the relationships, distribution of tasks and benefits received. In the fifth chapter the empirical findings are discussed in close connection to the applicable theory. The data is divided into three themes for the analysis: managing the network, relationships within the network and exchanges in the network. Finally in chapter six conclusions are drawn from this study and the research questions are answered.

## 2 Method

*This chapter is introducing and explaining the methods used in order to answer the posed research questions. After introducing the selected case for this study, the focus lies on the combination of a quantitative questionnaire providing an overview of the network examined and qualitative interviews in order to generate knowledge about the network in depth.*

### 2.1 Choice of case

Case studies enable researchers to investigate why certain decisions are made, in what ways they can be executed and to furthermore learn about the results following the decision making process (Yin, 1985). Considering my research questions those are factors I am interested in and I therefore pursued to find a suitable case for this research project. When choosing a horizontal network, one specific network came to mind which I have been in contact with when working in the tourism industry in Germany – *forum anders reisen*. I choose this specific network because it is the only network of tour operators engaged in sustainable development of the tourism sector in Germany. *Forum anders reisen* was started in 1998 by 12 founding members and now consists of about 140 members, all of which are small and medium sized tour operators. The members are mainly located all over Germany, but some businesses also operate from Switzerland, Austria and other countries. Out of the total number of members 123 are tour operators, the other 20 members are different organizations or individuals supporting the development of sustainable tourism.

According to the image booklet of *forum anders reisen* the vision of this network is to be “committed to a kind of tourism that is ecologically sustainable, economically viable and for local communities ethical and social just (sustainable tourism).” Since sustainable tourism is of growing importance I found this network specifically interesting. Additionally, it is stated that the members of *forum anders reisen* “have a reputation of being trendsetters in developing innovative products”. Sundbo et al. (2007) argue that innovative behavior is often encouraged by networks; therefore it is interesting to investigate the workings of this specific network.

The tour operators are similar in the way that they are all engaged in sustainable development, but differ greatly in size, number of employees, length of membership in the network and their area of specialization, such as destinations or type of traveling

([www.foumandersreisen.de](http://www.foumandersreisen.de)). The variety of this specific network was a decisive factor in my decision making progress.

Yin (1985) differentiates between single- and multi-case studies. Applying this differentiation to my research case it shows that I am working with a single-case study. This means I am studying one case, *forum anders reisen*, consisting of the different companies that I am surveying. The size and structure of the chosen case *forum anders reisen* thus enabled me to generate rich empirical data with insights into the network from different perspectives.

## **2.2 Quantitative and qualitative research**

After narrowing down the sample for the empirical research by finding a suitable case I needed to decide on the appropriate research method for my project. Research literature is often discussing strengths and weaknesses of quantitative and qualitative research methods. Bryman (2008) sees the mixture of qualitative and quantitative methods as a possible solution for the shortcomings of each method. At the same time as advocating for the mix of research methods the author is pointing out that the combination of methods is the subject of a controversial discussion in the research community. Despite the existing discussion a mixture of methods was beneficial for this research project due to a variety of reasons which will be discussed later on when an explanation of the use of each method is given. I decided to divide the field work into two parts, which gave me the possibility to look at the phenomenon from different angles. This, according to Neuman (2006) is very important in order to find all aspects connected to a research subject.

Firstly I designed a quantitative questionnaire which was sent to all members of the network in order to get a general idea of the network's activities as well as an overview of the atmosphere in the network. In the second stage of the research I conducted qualitative interviews with a selected number of tour operators based on the information obtained from the questionnaire to get in-depth knowledge about the network, learn about specific examples, situations and possible problem areas. Speaking in the words of Neuman (2006) the interviews allowed me to see the network and the network activities through the eyes of the specific tour operator being interviewed. Further the personal interviews allowed me to get a greater contextual understanding of the situation (Bryman, 2008). Booth et al. (2008) emphasize on the importance of people as a resource for collecting data and in order to

make the interaction between research and interviewee efficient it is essential to plan ahead before starting to conduct research. Thus the development of the questionnaire as well as the interview guide will be explained in the following section.

## **2.3 Questionnaire**

### **2.3.1 Purpose of the questionnaire**

As stated above, the first step in conducting empirical material was carried out through a questionnaire, one of the main methods within quantitative research (Bryman, 2008). Smith (2010) even goes as far as calling questionnaires the most important method in tourism research. For this research project a questionnaire is an appropriate method to start with since it served as the foundation to answer the proposed aim and research questions. Firstly the questionnaire allowed me to get a general understanding of the network *forum anders reisen*. I was able generate empirical material in order to illuminate the operations in horizontal network which was used as a base to expand the research through the semi-structured interviews (discussed later in this chapter) generating in-depth knowledge. Secondly I was capable to reach all members of the network through the questionnaire, who are geographically spread. Summarizing it can be said that the questionnaire served as a general foundation to find out what to ask in the semi-structured interviews in order to answer the aim and questions in detail.

### **2.3.2 Creating the questionnaire**

Constantly considering the research aim and questions the questionnaire is based mainly on two different foundations. On the one hand I used the theory that exists on horizontal networks as a framework for designing my questions. Knowing what other researchers have written about horizontal networks helped me structure my research. Previous research provided me with guidelines of what I needed to find out in order to answer my research questions concerning the organization and management of horizontal networks as well as exchange relations and their outcomes motivating a membership in a horizontal network. On the other hand I looked at the website of the network ([www.forumandersreisen.de](http://www.forumandersreisen.de)) and used the information provided by *forum anders reisen* in order to present itself. Besides a general description of the network including its aim and vision, potential benefits of a membership are listed. This information guided me to ask the right questions in order to obtain the information necessary to answer the research aim and research questions.

I started the questionnaire with some introductory questions about the company and then asked the respondents why they are member of a network and why they are a member of this specific network. The questionnaire further asked to rate benefits promised to the members by the network on their website in order to find out which of the potential benefits are really important to the members. Additionally I wanted to find out if there are possible disadvantages caused by a membership in a network. This information especially enabled me to generate data regarding the second research question concerning the outcomes motivating a membership in a horizontal network. At last I aimed to obtain information about the relationships between the individual network members and how communication is taking place which provided me with an overview of the exchange relations that can lead to the desired outcomes. Even though this needed further investigation through the interviews, the data collected through the questionnaire enabled me to ask the right questions.

### **2.3.3 Types of questions**

Bryman (2008) as well as Smith (2010) are discussing different ways of asking questions in a questionnaire. A researcher can choose between open and closed questions depending on what information is wanted. Both question types have several advantages and disadvantages. While open questions give the respondents the possibility to answer freely, closed questions provide the answers to choose from. On the one hand a big advantage of closed questions over open questions from the researchers perspective is, that they are easier to code and therefore to analyze. The danger on the other hand is that possible answers are not considered by the researcher and thus fail to provide the respondent with a suitable answer choice (Smith, 2010). Therefore it can be helpful to combine closed with open questions. One way of doing this is to add an 'others' at the end of a closed question to enable the respondent to give his or her own answer if none of the provided answers seems suitable (Smith,2010).

Both types of questions were used in the questionnaire depending on the question asked. In total the questionnaire consists of 12 main questions and five sub-questions. Of the total number of questions asked eight were closed questions and nine were open questions. As suggested by Smith (2010), the open questions were often used as an addition to a closed question in order to allow the respondents to add answers or give reasons for their answer

choice in the previous question. I used closed questions for example when I already had some information about a certain topic and wanted to generate the network members opinion about the existing information. Open questions were used when I wanted to generate completely new information.

In order get valuable information from a questionnaire Bryman (2008) stresses the importance of easily understood questions. When designing a questionnaire, special attention needs to be paid to the formulation of each question since no one can explain the questions to the respondent in the case of uncertainties. Furthermore a clear structure ensures that the respondent can follow the logic of the questionnaire. A possible problem with questionnaires is a low responds rate. Therefore a well designed questionnaire is important to enable the respondent to answer the questions without frustrating difficulties (Bryman, 2008). Thus, a lot of preparation was put in designing the questionnaire. In order to make sure that the questions were easily understood and followed a logical order I asked one member of *forum anders reisen* to fill out the questions before sending the questionnaire to all network members. I asked him to give me feedback regarding comprehensibility of the questions, logic of the sequence and the general design of the questionnaire. I got positive feedback from him and was then ready to distribute my questionnaire.

#### **2.3.4 Distribution of the questionnaire**

Byrman (2008) is discussing different ways of distributing a questionnaire, for example via personal distribution, mail, email or through an online survey. I decided to distribute the questionnaire for my research project through an online survey platform where the respondents fill out the questionnaire online. According to Byrman (2008) an online survey platform provides a great variety to create questions and answer possibilities as well as designs to layout the questionnaire. I found an online survey platform beneficial over an email questionnaire since it is easier for the respondent to fill out and the answers were automatically saved and accessible for me at all times. I researched different providers and finally decided on a platform that offered a great variety of tools to create answer options, a clear layout and an additional service to put your survey online without any commercials. This was important to me because it made it more comfortable for the respondents to fill

out the questionnaire without any distraction. Additionally it made the appearance of the questionnaire more professional.

After creating my survey online I needed to send the link to my questionnaire to all network members. In this context Smith (2010) is discussing the importance of choosing the right sample for a survey. In my case that was not a problematic issue since, as mentioned above, I choose all network members as the sample for distributing my questionnaire. The website of *forum anders reisen* provides an index of all members with their contact information. In the case of some businesses the email address of the direct contact person responsible for the membership of *forum anders reisen* was provided, but in most cases only the main email address of the tour operator was available. Since the members of *forum anders reisen* are small and medium sized companies that did not worry me and I trusted that the questionnaire would be forwarded to the right person internally.

I found it very important to address each member individually in order to increase the response rate and therefore I sent out 123 personal emails to the tour operators. In my email I briefly described the purpose of my thesis and asked for the members support in conducting my research. I further offered to provide them with my research results once my thesis was completed to render the participation in the survey more attractive. A total of 17 tour operators asked me to send them the results of the survey which confirmed the great importance of the chosen research field. Smith (2010) points out that the response rate to a questionnaire is crucial for the success of a research project. Another method to increase the response rate, besides pointing out the benefits for the participants, is to give a deadline to the respondents. In the emails send out to the network members I therefore asked them to fill out the questionnaire as soon as possible due to the time limitation of the research project. The direct response rate to the questionnaire was high. I received around 20 answers within a couple of days. After one week I sent a general follow-up email to remind those that had not filled in the questionnaire to please do so and thanking the ones who had already participated in my survey. I received further answers, but decided about one month after I sent out the first request that a third and last reminder was appropriate. In total I received 44 filled out questionnaires.

### **2.3.5 Coding**

A first analysis of the data conducted through the questionnaire was necessary in order to prepare the interview guide. When designing the questions for the semi-structured interview (which will be discussed later in this section) I grouped the information from 35 filled out questionnaires into general themes used as the foundation for the interviews, but did not go into a detailed analysis yet.

After having received 44 questionnaires I started the process of coding the answers. Coding closed questions was done by creating tables which served as a tool to support the information received in the interviews. The challenge was to code the open-ended responses. Smith (2010) recommends categorizing the answers into themes, a method which I followed.

I am aware that the questionnaire does not cover all areas necessary to answer the posed research questions. I purposefully choose to limit the questions asked, because of the risk of lowering the response rate through too complicated questions and a questionnaire that might be perceived as too time consuming. When constructing the questionnaire I left out questions that required a detailed and long answer, these questions were later on asked in the personal interview. In this first step I rather focused on generating information enabling me to get a general understanding of the operations in horizontal networks.

## **2.4 Interview**

### **2.4.1 Purpose of the interviews**

In order to deepen the knowledge received from the questionnaire which will further allow me to answer my research questions, semi-structured interviews were conducted in the second step of my research. Smith (2010) stresses that questionnaires are not suitable to conduct in-depth data, therefore personal interviews, which can provide rich data on a phenomenon, were appropriate for this purpose. Although Roulston (2010) points out that interviewing is the most commonly used method in qualitative research that does not necessarily qualify it as the best method. In this specific case personal interviews enabled me to get a more detailed insight into the working processes of horizontal networks as well as opinions from the network members and their perceptions of the network. Therefore interviews qualify as a suitable method to help me answer my research questions.

### **2.4.2 Recruiting interviewees**

According to Booth et al. (2008), researchers need to consider the privacy of the respondents. Still I preferred the personal encounter over telephone interviews because of my impression that it is easier to talk to someone in direct contact. Since I did not ask the interviewees questions regarding their personal life, but rather questions concerning their business or the business they work for I felt that there was no danger of the interviewee feeling uncomfortable due to my presence. Furthermore I got the impression from the first round of contacting potential interviewees in the early planning stage of my research that they were more willing to talk to me in person than over the phone. Even though Bryman (2008) suggests telephone interviews as a possible method to conduct empirical material I firstly refrained from using this method due to the given reasons. Since the network members are spread all over Germany, Switzerland, Austria and some other countries I had to make a selection whom to ask for a personal interview. I investigated where the members are located and found out that there is an accumulation of offices in four German cities: Freiburg, Karlsruhe, Berlin and Hamburg. It is not surprising that many businesses are located in Berlin and Hamburg since they are the two biggest cities Germany ([www.destatis.de](http://www.destatis.de)) and therefore attract many companies. Freiburg and Karlsruhe on the other hand are smaller, but the network was started in Freiburg and therefore many of the original members are from that area. Due to the geographical proximity of Freiburg and Karlsruhe it can be assumed that the contact was easily made between the network and potentially new members which explains the great number of network members there.

As presented earlier a total number of 123 emails were sent out to all tour operators within the network. Out of these 123 emails I send out 24 emails to tour operators in the four German cities mentioned above asking the recipient not only to fill out the questionnaire, but additionally to meet me for a personal interview. When asking for interview appointments I offered the potential interviewees different dates for the interview. I planned to stay in each city for a couple of days depending on the number of appointments I would be able to make. Unfortunately the response rate to my request was low. I only received one direct answer from one business woman agreeing to meet me for an interview. The next step was to call the businesses about two weeks after the first email. On the phone I again explained the topic of my master thesis and referred to the email I had sent out

earlier. Through the telephone contact it was easier to recruit people for my interviews and I succeeded in fixing seven appointments.

In order to generate even more empirical material I decided to after all add telephone interviews as a method. As Smith (2010) points out, telephone interviews enable interviewers to cover larger geographical areas while reducing travel time and expenses drastically. Exactly due to those limitations I was not able to meet further businesses in different cities on a personal basis, but used telephone interviews to provide me with possible contacts. After having sent out the questionnaire I got positive feedback via email from 17 tour operators who were interested in my work. I therefore decided to contact those businesses for telephone interviews. Out of the 17 tour operators called, another three agreed to answer my questions. One possible problem with telephone interviews, discussed by Smith (2010) is the length being too great for the interviewee and the author therefore suggests that such interviews should not be longer than 15 minutes, while Bryman (2008) recommends a maximum interview time of 25 minutes. This problem did not occur in my interview situations. The interviews were planned to take about half an hour which was known and agreed to by the interviewees in advance.

Time in regards to the duration of the interviews caused difficulties when recruiting interviewees, both for personal and telephone interviews. Many network members declined my request for an interview due to the length of it and their busy schedule. Since I was dealing with small and medium sized tour operators, which at times were run by only very few people clearing half an hour in their daily schedule was difficult. After all I still had the opportunity to talk to eight managers/owners of the businesses and to another two employees responsible for marketing and PR.

Furthermore the differences between personal and telephone interviews were not as big as expected in advance. I had the feeling that I was able to build up a connection between me and my interviewees to a similar degree on the phone as I did through personal contact. The interviewees opened up and revealed a lot of relevant information enabling me to answer the research questions.

After having conducted ten interviews the information given by the interviewees started to repeat itself. Furthermore I had the opportunity to talk to people from companies of

different sizes. I interviewed for example the owner and manager of a “one-man company” as well as the officer manager of a company with 19 employees, which is unusually big for this network. Additionally the companies of the interviewees had varying roles within the network which spread from founding member of the network, to newly joined companies over chairman of the network board and just “normal” members. This gave me the chance to get different insights into the network and therefore a broader perspective. In combination with the information from my questionnaire I therefore decided that I had generated sufficient empirical material to answer the research questions.

#### **2.4.3 Preparation for interviews and design of the interview guide**

Bryman (2008) is differentiating between quantitative and qualitative interviews. While quantitative interviews are well structured with fixed questions, a qualitative interview leaves room for adjustments of the questions according to the specific interview situation. The author emphasizes that this flexibility of a qualitative interview is one of the main strengths of this method. An interview guide serves as an important tool during these interviews and was therefore developed before starting the qualitative fieldwork. The interview guide is strongly based on the results from the questionnaire survey. At the time of designing the interview questions I already received 35 filled out questionnaires to work with. This demanded a first analysis of the conducted data. I will not go into the detailed findings of the questionnaire survey here, but it became apparent that certain topics, such as the usage of synergy effects in regards to marketing and distribution channels, but also the personal interaction between the members, were especially important to the network members. As Bryman (2008) stresses, the creation of topics addressed during the interview is an essential part of the preparation process. Whatmore (2003) stresses that questions are not found, but produced. This description fits well to the design of my interview guide since the questions asked during the interview are the result of a detailed production process based on the preliminary findings from the questionnaire.

The interview guide has thus been divided into six flexible topics which are interlinked and influencing each other. The aim of qualitative interviews is often to find out more about the opinions of the interviewees regarding a certain topic (Bryman, 2008). In my case I was interested in finding out more about the perception of horizontal networks regarding the organization and management as well as the advantages and problems connected to such a

membership. I started off with introductory questions to get a feeling of the company interviewed as a member of a horizontal network, asking the network members to give a short description of the network. That question aimed finding out what is most important to them about the network. Furthermore I asked about the internal communication between the network members and the exchange taking place, since it became obvious from the questionnaire results that the exchange relations are an essential part of the network. The next topic concerned the communication with the management of the network. I went on to investigate the relationships within the network. Due to the fact that it was stated numerous times in the questionnaire that the network is used as a marketing tool I wanted to investigate this specific topic further and thus asked questions regarding marketing aspects. Additionally I asked the respondents to describe the role of the network management. At last I asked several concluding questions regarding the interviewees' opinion of the network, also covering the financial aspect of being a member of a horizontal network.

Even though I had prepared questions in advance, I was also prepared to change these questions depending on the interview situation. Active listening to the responses given by the interviewee is essential to react to the provided answers and through that get a greater variety of data (Bryman, 2008). Therefore the questions were not necessarily always asked in the same order as proposed in the interview guide. Some interviewees brought up topics earlier in the interview than was planned by me which required some flexibility. That applied especially to the questions about interaction with other network members, but also to the questions regarding the communication with the network management. Since I was prepared for a semi-structured interview I was able to adapt to these changes easily.

I decided against sending the interview questions to the interviewees beforehand, since the interviewees already knew the general direction the interview would take from the questionnaire that had been sent in advance. Since my interview guide included possible follow up questions depending on the information given I wanted to avoid influencing the interviewee's answers. Since I was rather interested in the opinions and perceptions of the network members regarding the organization of the network and the outcomes, I felt that I would get more honest answer without the interviewees knowing the questions prior to the interview. The results of an interview depend on the interaction between the researcher and the interviewee and therefore require a well prepared interviewer (Smith, 2010). The

interview situation was very relaxed. I met the interviewees in their offices and quickly developed a personal basis which made it easy to talk to each other.

#### **2.4.4 Data analysis**

Recording during and transcribing after the interview is essential when conducting qualitative interviews. It enables the interviewer to pay close attention to what the interviewee says and later on go back to the information given instead of being distracted by note taking during the interview (Bryman, 2008). Therefore all interviews have been recorded and transcribed and are available upon request. When starting to analyze the interviews I looked for key words that were mentioned several times or were emphasized particularly during the interviews. Further I looked for reoccurring themes in the answers, but also differences in the perception of the network.

When going over my transcribed interviews I constantly had my research questions in mind. I looked for statements regarding the motivation to be a member of the network, benefits received from the network and finally information regarding the structure and the management of the network. Crang (2003) is discussing the importance of reorganizing your empirical material in order to present logical findings in the end of a research project. Therefore I wrote down all important key words from the transcripts in a first step and in a second step divided those key words into topics following the natural flow regarding the operations of the network. The documentation of my empirical findings is closely ajar with my theory, but does not follow exactly the same categories. In a third step I formed links between my empirical findings and the chosen theory in order to find out in what aspects theory and empery agree and where my empirical findings went beyond what has been discussed in the theory. Based on that information I was able to answer my research questions.

#### **2.5 Critical reflection**

After having discussed the methodological approach I have taken in this research project I will now reflect critically upon the decisions made in the process as well as point out possible shortcomings of this work.

Firstly I want to address the possible language issue. I decided to use a case from Germany for this research project because I felt it was more important to have a common native language when conducting the empirical material in order to simplify replying to my questions for the respondents rather than receiving data in English. I am aware that there are potential difficulties with the translation from German into English and was therefore very cautious when translating the empirical material. Secondly the translation of the abstract research questions into understandable questions for the respondents of my field work was a challenge. I attempted to overcome this challenge by basing the questions on previous research regarding this topic as well as information provided by the network's website and in regards to the interviews the information received from the questionnaire played an essential role.

A further important consideration when conducting research is researcher bias. Social constructivists argue that knowledge and realities are socially constructed. They therefore stress that realities are not naturally given (Alvesson and Sköldberg, 2009). In regards to my research project I was aware of the underlying subjectivity of the questions I asked, the answers I received and the way I interpreted the collected material. Furthermore Alvesson and Sköldberg (2009) also point out that social scientific research is based on the hermeneutic approach. Therefore researchers have to be aware that their understanding of a phenomenon might be biased. I tried to avoid letting my subjective perception prevent me from creating knowledge regarding the given situation, but I am aware that my understanding of a given situation might differ from the understanding of a second person.

## **2.6 Summary method**

In this section the methods used to conduct empirical material in order to answer the stated research question were discussed. The combination of a quantitative questionnaire with semi-structured qualitative interviews enabled me to analyze the phenomenon of horizontal networks from different perspectives. First I got a general overview of the network through the questionnaire which allowed me to reach all network members and secondly I was able to get a deeper insight and specific perceptions of the network from the ten semi-structured interviews. In the next chapter the theory that has been used as a framework for my field work will be discussed.

### **3 Theoretical framework**

*In the following chapter I am discussing the chosen theory which guided me in developing my research frame and answering my research questions. I am discussing the structure of networks in general and of horizontal networks in particular, investigate motivation factors leading to the interaction of competitors and the different exchanges taking place based on the exchange theory differentiating economic and social exchange. Finally I am exploring the governance and management of horizontal networks.*

#### **3.1 Definition network**

To introduce to the topic of horizontal networks it is important to get a general understanding of business networks in order to comprehend why and how they are formed. Due to the growing phenomenon in the business world, networks have been a subject of academic research for a long time. Eng (2005) sees networks as a way of providing organizational structure in order to manage relationships between different actors. Bengtsson and Kock (2000:416) further define networks as “... the framework within which the interaction takes place but it is also a result of the interaction. Thus, it is affected by the exchanges between the actors.” Networks can therefore be understood as a place which enables and also organizes the interaction between different actors, but it is also important to take into consideration that it is a place shaped by those interactions. This means that the structure of a network depends on its members and their structure.

Moreover Bengtsson and Kock (2000) discuss the different dimensions of inter-firm linkages. The relationships between network members can be of direct or indirect nature. While some network members have direct relationships with other members, indirect interaction can occur via a third member for example. A further definition of networks is given by Gnyawali and Madhavan (2001:433), defining a “network as consisting of formalized cooperative relationships among competitors that involve flows of assets, information and status.” According to Sundbo et al. (2007) exchanges of material and immaterial resources can take place through formal as well as informal relationships within a network. It shows that there are conflicting definitions on networks regarding the degree of formality. Eng (2005) points out that within a business network members exchange, use, develop and get access to other member’s resources. Thus networks can appear in many different forms and structures and

serving different purposes depending on the members. Furthermore from the different definitions provided by several authors it becomes clear that the exchange between members is essential within a network. Therefore there will be a more detailed discussion of possible exchanges later on in this chapter.

While many authors point out the positive effects of business networks, Wincent (2008) indicates that there are also possible threats resulting from a membership. The author sees the problem in the variation between contributions put into and benefits received from the network. Gnyawali and Madhavan (2001) support this by stating that advantages gained through the membership in a network vary from firm to firm, which may lead to different levels of motivation to contribute to the network. Furthermore Gulati et al. (2000) argue that the engagement in some relations can cause unproductive behavior and prohibit entering more productive relationships. Thus, when researching the phenomenon of networks it is crucial to bear in mind all possible effects a network can have on its members.

### **3.2 Horizontal networks**

Morris et al. (2006) point out the increasing importance of inter-organizational networking in order to be competitive. In this context horizontal links between companies are becoming more meaningful. Due to the growing importance of horizontal networks the aim of this research project is to illuminate the phenomenon of horizontal networks which I will therefore focus on in the following. Bengtsson and Kock (1999) introduce the topic of horizontal networks by presenting four different types of possible horizontal relationships actors can engage in. Before discussing different definitions of horizontal networks the following figure shows the possibilities actors have regarding interaction with other actors on the horizontal level. This spreads from competition to co-existence, co-opetition and cooperation.

The types of relationships differ in the form of the interaction taking place. It is stated that actors only competing with each other don't engage in active exchange relationships, but still information is indirectly exchanged by observing the activities of the competitor.

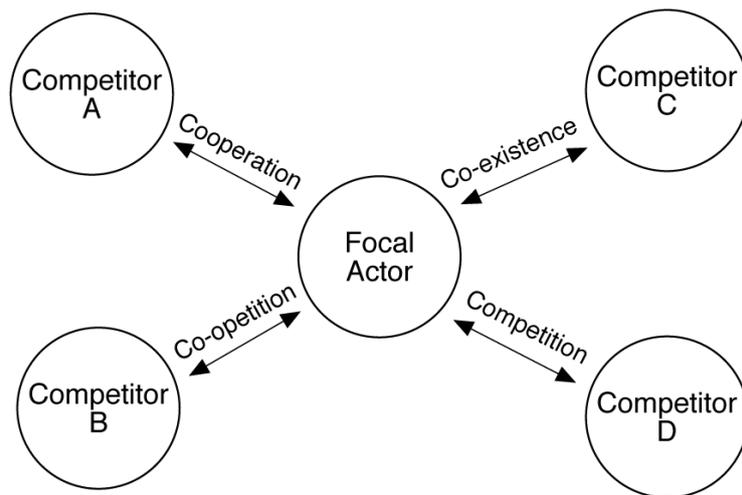


Figure 1: Relationship between competitors (Bengtsson and Kock, 1999:181)

Furthermore actors co-existing with other actors do not engage in direct economic exchange, but the possibility for exchange of information and social exchange is present. In a co-opetitive relationship actors compete with each other on a certain level, but on another level they cooperate, which means economic, social and information exchange are possible. At last cooperation enables actors to engage in a relationship based on informal bonds such as trust, but also formal links in form of strategic alliances. The authors made clear that loose links between competitors are easier formed than long-lasting bonds (Bengtsson & Kock, 1999).

It becomes apparent that the types of relationships differ in the form of exchanges taking place between the different actors and whether the exchange consists of information and social exchange or also includes economic exchanges. Additionally it is stressed by Bengtsson and Kock (1999) that in comparison to vertical relationships the exchange taking place on the horizontal level rather focuses on information and social exchange and less on economic exchanges. The type of exchange which can take place in networks will be discussed in more detail later on in this thesis. Here the different forms of exchanges are used to clarify the different horizontal relationships.

In a later article Bengtsson and Kock (2000) further discuss the degree of cooperation and competition in horizontal networks. They point out that relationships can be dominated by either cooperation or competition or consist of a mixture of the two. Gnyawali and Madhavan (2001) further stress that companies often engage in relationships that are competitive and collaborative at the same time. The Bengtsson and Kock (2000) point out

that competition and cooperation are both crucial for the success of horizontal networks. Competition as well as cooperation can lead to a positive development of businesses, because they motivate actors to develop in different ways to improve their operations. Engaging in the discussion Dagnino and Padula (2002) argue that co-opetition should not be seen only as a merger between competition and cooperation, but rather as a new form of competitors interacting with each other.

After having analyzed the options companies have to interact with other actors on the horizontal level, the definitions of the actual term of a horizontal network are now discussed. Gnyawali and Madhavan (2001, 433) for example define horizontal networks as cooperative relationships between competitors. According to the authors, actors within a horizontal network work together in a formalized way in order to make the flow of assets, information and status possible. While Gnyawali and Madhavan (2001) define horizontal networks as formalized relationships, Bengtsson and Kock (1999) state that horizontal relationships are rather informal and invisible. Furthermore Cheikhrouhou et al. (2010) assume that collaborative networks between competitors consist of informal and/or formal relationships. The members of such a network are legally independent companies that work together in order to coordinate their activities to reach a common goal. It can be summarized that there are contradicting opinions on the types of relationships that arise from and exist in horizontal networks, this leaving interesting ground for further research.

Piot et al. (2007) point out that members of horizontal networks dispose of very similar core competencies and Cheikhrouhou et al. (2010) stress the importance of trust within the network since the members of a horizontal network all come from the same area of competence. Bengtsson and Kock (2000) additionally point out that horizontal networks are more difficult to maintain than vertical networks, since the direct competition is a source of conflict. Therefore important success factors are stated to be “mutual objectives, complementary needs, shared risk and trust...”(Bengtsson and Kock, 2000:414) in order to level out the conflicts caused by the competition.

### **3.3 Motivating factors for being part of a horizontal network**

When investigating the phenomenon of horizontal networks, it is essential to reveal the motivating factors for businesses to engage in such a network since horizontal networks

consist of companies from the same business area competing for customers. It is argued by Gulati et al. (2000) that companies are able to develop a competitive advantage and stick out in today's competitive business world through the engagement in different relationships on the horizontal level. Furthermore according to Wegner (2010) potential competitors unite in horizontal networks in order to achieve a competitive advantage over other competitors not in the network and strengthen their position on the market. Therefore the combination of resources and capabilities from actors originally operating in the same business field as competitors is a possible way of creating a competitive advantage over other competitors not included in the interaction (Bengtsson and Kock, 2000).

Gnyawali and Madhavan (2001:432) point out four potential reasons for being a member in a horizontal network consisting of competitors from the same business field. First it can give you access to resources of other actors, secondly additional capabilities can be created within the network and complement the own resources, thirdly a well structured network can further increase the rate of return from investments made by the network and finally there is a constant possibility for new resources when attracting new members to the network due to positive performance. Furthermore Gnyawali and Madhavan (2001) are discussing the importance of the flow of assets, information and/or status within the network as a motivating factor to join a horizontal network consisting of competitors. Bengtsson and Kock (2000) also emphasize the advantages of competitors working together. Examples of possible benefits are given, which can include areas of production, introduction of new products, entering new markets as well as reducing costs and risks in the operational process. Furthermore it is argued that the transfer of technology and capabilities between members is a motivating factor (Bengtsson & Kock, 2000).

As it can be seen from the discussion above an often approached topic when investigating motivation factors to join a network is the phenomenon of developing and learning together with other. It is argued that companies often need impulses from the outside in order to start internal development processes (Tell, 2000) and that „... firms do not develop capabilities in isolation. “ (Eng, 2005:68) Hence working with other companies in a network can be very beneficial because it initiates the activation of knowledge and competencies present in a company which would not be done without those external impulses (Tell, 2000). Companies try to develop new capabilities on their own, but according to Eng (2005) this can

be a rather slow and expensive process, which often leads to inefficient business operations. Therefore horizontal links between companies are becoming more meaningful to increase the possibility to learn from external partners. Morris et al. (2006) especially emphasize the learning effects and the development of capabilities for small and medium sized companies through a membership in a network. Eng (2005:77) states that "learning in business networks can take different forms, namely through own development of resources, experience gained from interaction and joint learning that involves collective partners in the network." Furthermore it is stressed that learning takes place due to different actors sharing their resources through interactive activities (Tell, 2000). This means that companies can benefit from exchange and combining existing resources as well as the development of new resources through the interaction with others.

Even though many authors including Eng (2005) point out the growing importance of network learning, Eng (2005) also stresses, that inter-firm learning is often only a "by-product", while companies are cooperating for different reasons than just learning from each other. Still it becomes apparent from the literature quoted above that this exact learning from one another and together with others is a way of developing the business and becoming more competitive in a highly competitive business world where companies constantly need to develop further. Moreover Morris et al. (2006) are discussing a number of "learning barriers" including the lack of ability to learn, a missing structure within the network to encourage learning and also connections between the different actors being too weak to enable learning, which need to be overcome to successfully learn in a network.

Provan and Kenis (2007) approach the motivations behind entering a horizontal network from a slightly different angle and further argue that the gain of legitimacy is an important factor when considering joining a network. This can be important especially for small and medium sized companies, because networks can improve how a company is perceived by the public (Provan & Kenis, 2007). Legitimacy is also discussed by Wincent (2005) with the special focus on small and medium sized companies. He argues that members of networks can benefit by using the positive reputation of other members and together creating a better image than they would have alone.

### **3.4 Exchange theory**

As introduced earlier in this chapter different exchanges can be enabled through a membership in horizontal networks. The exchange theory is a tool to classify exchanges and the resulting benefits that arise for the network members. Ho (2006) stresses that the relationships existing within a network are a form of exchange between partners and the exchange theory allows network members to evaluate the worth they are getting out of the respective relationships. Accordingly it is unavoidable to examine the different forms of exchanges when analyzing a network. The exchange theory differentiates between social and economic exchanges (Ho, 2006). Even though Bengtsson and Kock (1999) stress that the exchanges in horizontal networks are more likely to be of social nature and including the exchange of information, it will be investigated to what degree there is economic exchange taking place in networks consisting of actors from the same business area and how much of the benefits are perceived to be based on the social exchange.

The exchange theory is based on the assumption that benefits between people and organizations flow due to social interactions. Those benefits can arise from economic or social exchange and it is important to understand the difference between the two. While the economic exchange is clearly defined and often documented in legal contracts, social exchange is often not a specific agreement between the partners but rather relies on a trusting relationship between the actors (Ho, 2006). Drawing the connection to the discussion regarding formal links and informal bonds from earlier on in this chapter economic exchange can be classified as formal while social exchange is based more strongly on informal bonds between actors. In addition to the differentiation between social and economic exchange Wincent (2008) is further discussing the exchange of tangible and intangible resources through the interaction with other actors, while Eng (2005) differentiates between monetary and non-monetary exchanges in business relationships and points out that both can create benefits for the network members.

The exchange theory also recognizes that there is no guarantee for the actors to obtain benefits from a network membership, but that the actors have to rely on the assumed cooperative intention of their partners (Ho, 2006). Furthermore the benefits may only occur in the long-term and not directly after investing in a network (Wincent, 2008). Additionally Wincent (2008:306) points out that all exchange relations are self-motivated and that

“actors contribute to the exchange only when they expect benefits.” Cook and Whitmeyer (1992) go even further and differentiate between positive and negative exchange relations within networks. On the one hand they argue that exchange connections might have negative outcomes when one relationship prevents the positive outcome of another exchange relation. On the other hand a positive outcome would be the enhancement of benefits from additional relations.

Engaging in the discussion of social exchange Hakansson and Snehota (1995) point out that business relationships are likely to lead to personal relationships as well as the formation of strong informal bonds. Through social exchange taking place parallel to the business relations trust is being established and the general relationship strengthened. Considering that Ho (2006) stresses that the exchange relies on the “good-will” of each network member trust seems to be an important factor when engaging in the interaction with competitors. Provan and Kenis (2007) strengthen this argument by pointing out the importance of trust for the stability and success of network interactions.

### **3.5 Managing horizontal networks**

The governance and management of horizontal networks are essential for the network to be able to achieve the set goals as well as for a successful development of the network (Wegner, 2010). Furthermore Provan and Kenis (2007) underline the importance of managing a network in order to assure that all network members collectively work towards the same goals and that resources are used efficiently in the process of achieving these goals. Wegner (2010) additionally points out that networks tend to be dynamic entities and therefore it is important to consider the dynamic changes when managing such a network. Regarding the research questions looking at the governance and management structure of networks is part of understanding how the interaction is organized and in what ways benefits are generated within the network. Even though this paper is focusing on the analysis of the network from the members perspective I still consider it important to know how the members perceive the organizational structure of the network.

Wegner (2010) discusses two different types of network governance: shared-governance and governance through a network administration organization; decentralized governance on the one hand where all network members manage the network together and centralized

governance by a responsible management organization on the other hand. An important factor of shared governance is, as pointed out by Provan and Kenis (2007), the collective decision making process regardless the size or amount of the resources available to each member company. Furthermore there is the possibility of leaving some responsibility to the members of the network while other processes are managed by a separate organization. Provan and Kenis (2007) add a third category. They also discuss the different styles of network governance, but further say that networks can be managed by a strong lead organization from within the network. This means that one strong member takes over the management of the network. Wegner (2010) argues for a correlation of the governance-structure, the size of the network and the performance of the members. Accordingly small networks are more likely to have a decentralized management while bigger networks tend to have a centralized form of governance in order to work efficiently.

There are several advantages and disadvantages connected to the different forms of network management (Wegner, 2010). It is said that it is more difficult to maintain the system of shared-governance and therefore the chances of successfully managing a network in this way are higher in small networks. Provan and Kenis (2007) point out the difficulty of equal engagement and commitment of all members in a self-governed network which is emphasized to be important in networks. In self-governed networks there is a constant danger of members losing their motivation to engage in the network and the network thus losing efficiency. A possible disadvantage of implementing a network administration organization can be seen in the decreasing activities of the network members and the heavy reliance on the management team (Wegner, 2010). Furthermore members might perceive a strong management team as a contradiction to the original meaning of a network, which is doing things together (Provan and Kenis, 2007).

### **3.6 Summarizing theory**

In order to answer the posed research questions many different theories have been discussed in this chapter. Before starting the analysis of the conducted empirical material I am introducing the following figure showing the links between and dependencies of the discussed theories. This model is summarizing my interpretation of the theoretical framework discussed and will be used as a framework guiding my analysis.

The starting point of this figure is one actor and the motivating factors of this actor to engage in an interaction with other actors. As discussed earlier actors in horizontal networks are operating in the same business field and are therefore generally speaking competitors.

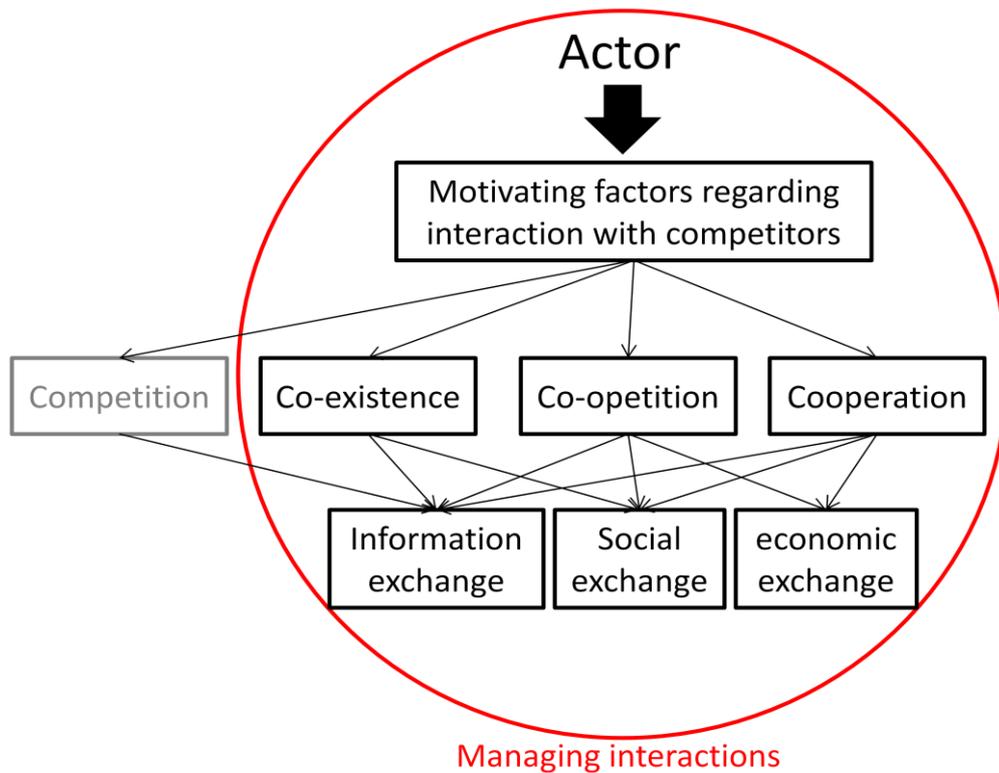


Figure 2: Connecting theories regarding actors in horizontal networks (own figure)

An actor can engage in four different relationships on the horizontal level (competition, co-existence, co-opetition, cooperation), as discussed by Bengtsson and Kock (1999). Which kind of relationship is entered depends on the expectations and motivations of each individual actor. Furthermore, depending on the kind of relationship, different outcomes can be expected from the interaction. The exchange theory is discussing the differentiation between social and economic exchange (Ho, 2006). A third component was added to the model, the exchange of information, since information can also be exchanged in an indirect way without direct contact between the actors. This is the case for example in a relationship based only on competition when actors observe the behavior of their competitors and hereby obtain information. According to Bengtsson and Kock (1999) relationships based on co-existence only include social and information exchange, while co-opetition and cooperation unite all three forms of exchange, but not necessarily in the same intensity.

Social and economic exchanges are often based on the exchange of information, but can also be allocated more clearly to one of the two categories.

In order to be efficient these diverse interactions have to be managed, for which different possibilities have been discussed when the differentiation between centralized management on the one hand and decentralized management on the other hand was presented (Provan & Kenis, 2007). The constructed model is showing the general need for some kind of management and organization of the interactions, but leaves it open how they can be structured depending on the network and the different relationships within the network. The relationship based only on competition is left out of the management circle in the shown figure since no direct exchanges are taking place and therefore the need for managing the relationships between competitors becomes irrelevant in the given context.

Continuing from this summary the first step of working with the empirical material is the presentation of the data according to different categories in its own chapter (chapter four). In a second step in chapter five the material will be analyzed based on the presented model. I will be discussing what kinds of interactions are taking place and how the interactions are being managed. Moreover I will show how the respective relationships influence the interactions between the actors and what kinds of exchanges are enabled/initiated within the network.

## **4 Empirical findings**

*Due to the large amount of empirical material it was necessary to group the data, wherefore the following section will present the practical findings from my field work sorted by different topics that occurred. It will not engage in a detailed analysis in connection with the theory, but both the theory and the research question have been kept in mind when designing the presentation of the empirical data. I further decided against following the order of my constructed model in the presentation of the empirical material however follow an order which makes it easier to understand the workings of the network. This section provides an overview to the reader of how the network members perceive the network, what relationships the network is build on, how the tasks are distributed in the network and finally what benefits are received. As discussed in chapter two the empirical material originates from semi-structured interviews which were based on the data received from the questionnaire as well as previous research on the topic of horizontal networks.*

### **4.1 What defines the network from the members perspective?**

Even though the perceptions of the members of the network does not directly correspond to the research questions, I felt it was necessary to start the presentation of the empirical data with this section to increase the understanding for the network which will later on make it easier to follow the material which will enable me to directly answer the research questions.

During the interview I asked the interviewees to briefly describe the network in a couple of sentences in order to receive an overview of how they perceive the network. It became apparent that the size of the member companies was of importance since most of the interviewees mentioned that the network consists of small and medium sized tour operators in order to describe the network. In addition, it became clear from the questionnaire results that the majority of the businesses consist of three employees or less and only some companies are bigger. It was stated by several interviewees that the network was founded for small and medium sized companies to enable them to work together, though it was also mentioned that the structure of the member companies has changed over the years and that the businesses have grown together with the network itself.

Furthermore a reoccurring theme was the subject of sustainable tourism that unites all network members. When asking for the reason of being a member of this specific network in

the questionnaire almost all respondents pointed at the importance of this network supporting the sustainable development of the tourism industry. Also, when describing the network briefly, many interviewees used terms like sustainable tourism, environmental and social fairness and the special travel philosophy to define the network. The empirical material shows that the engagement in a political movement such as supporting the development of sustainable tourism is essential for the network members in order to unite them. Thus it seems that a common goal such as sustainability is important for the formation of horizontal networks and the sense of shared identity of the network members.

One interviewee describes the network as follows: “Small and medium sized tour operators which share the same ideology of different traveling, who through the merger can appear as one voice as well as engage in the usage of synergy effects.” This leads to the next important part of a network pointed out by the members. Besides the common philosophy it is also the diverse cooperations, usage of synergies and the building up of strength of many small and medium sized businesses that characterizes the network. While later on in this section a detailed description of the benefits received from a membership will be given, for now it is merely important to point out that members of the network used benefits to define the network.

## **4.2 What are the relationships within the network and how important are they?**

Illuminating the relationships within the network reveals information on how interactions between members in the network are organized. Therefore the following information will enable me to answer the research questions. In the questionnaire I asked about the relationship between the networks members giving six different possibilities to answer: only cooperation, mostly cooperation, equal mix of cooperation and competition, mostly competition, only competition and other relationship. It turned out that the majority of the respondents (21 out of 44) characterized their relationship to other network members as mostly cooperation, the second largest number (13 out of 44) stated to be in a relationship of equal mixture of cooperation and competition. While six out of 44 defined their relationship as only cooperation, none of the respondents as only competition. Further two respondents answered to have another relationship to the network members. Additionally 21 respondents rated the good atmosphere in the network to be important and another six

as very important. Building on this information I investigated the matter further in the interviews.

A great share of the interview time circled around the relationships the companies are engaged in and how they perceive the interaction with different members. It was discussed that the network provides the members with the framework to develop relationships with other businesses. These relationships can take many different forms and differ in the strength of the connection. One interviewee stated to be “a member of a big family” and another interviewee pointed out that “even though you don’t know one another, when you mention that you are a member of the network the contact is a lot faster and a lot better than if you would do it anonymously.” This statement clearly shows the influence a network membership has on building relationships on the horizontal level.

Some interviewees mentioned that it was actually personal relationships that brought them to the network, while many others pointed out that personal relationships with people working for other tour operators have developed due to the membership in the network. One interviewee even talked about invitations to birthday parties of other network members. Either way it clearly showed that personal relationships play an essential role within the network. One interviewee described the membership as an entry ticket for a shared base and another person pointed out that thanks to the membership the reservation towards other tour operators disappeared. Additionally the network “tears down the barriers preventing conversations” and therefore allows the members to talk to each other openly.

The network provides the framework for building some sort of relationship between the members. Furthermore, it was said by several interviewees that due to the membership a connection of trust developed since the companies know that the other members follow the same ideology and philosophy concerning sustainable tourism which further encourages the formation of bonds between companies. Other members see trust as a requirement for the membership in a network. As one interviewee said “actually the good thing about being a member in such a network is that one has the trust and that one just does things with other that you would never do otherwise because you did not have the trust.”

Even though it has been said by some members that trust is a requirement for a membership, it has also been pointed out several times, that personal relationships develop and grow over time. Furthermore it seems to be impossible to have the same depth in the relationship with all members due to the constantly increasing number of network members. From the questionnaire it became visible that the network has been growing constantly over the past years, which has also been pointed out during the interviews. Hence the relationships can vary greatly and not every member engages in personal relationships with all other companies. One respondent said: "Experience has shown that small groups of tour operators get together because they have similar problems or products or just get along well personally." This statement clearly shows that network members interact with all other members to the same degree and intensity.

Due to the specialization on different destinations, forms of travel or customer groups many tour operators within the network explained that the direct competition is limited and therefore the cooperation between the members is more likely. One interviewee stated to a bit surprised about the fact that within the network it actually is not all about competition, however about doing things together. Another respondent pointed out that it is the personal connection that enables the cooperation between companies that would be competitors "in the normal world" and furthermore that this personal level is the base for building up trust in order to talk about certain things and get insider-tips from colleagues operating in the same business field that you would not get without the membership. This trust also is supported by an openness in the network that originates from a certification regarding CSR (Corporate Social Responsibility) that all members have to undergo. Throughout the certification process the company is being tested for their sustainability in their products and working processes and is required to unfold all business activities. Hence this certification increases the transparency of the members and therefore sets the scene for open communication between the companies. Furthermore it was described by several respondents that the interaction with other tour operators is normally very informal and casual. It was also said that it is very easy to get in contact with other companies from the network and that the members know each other due to many meetings arranged by the network.

On the other hand one interviewee pointed out that even though they are all members of the network and cooperating with each other they are still competitors and therefore not all information is revealed to other members. Moreover a negative aspect about the strong personal connections within the network has been pointed out. Personal bonds might be breaking and then this will also destroy the business relations. Besides, the growth of the network also had a negative impact on the personal relationships between the companies because the immediate contact was not as easy anymore since there are now a lot more members.

### **4.3 Distribution of tasks within the network**

In regards to the first research question concerning the organization of a horizontal network it is essential to find out how the tasks within a network are distributed, since this is a way of organizing the network activities. The questionnaire revealed that not all network members consider themselves equally active. While five respondents said they were very active and another 15 considered themselves active, also 13 stated to be seldom active in the network and 11 declared themselves as passive members. Therefore further investigation has been done on the distribution of tasks and responsibilities within the network. They were divided into tasks of the management team, the network members and shared responsibilities.

#### **4.3.1 Role of the network management team**

Several respondents pointed at the changes within the network and the distribution of tasks that has been taking place since its foundation. The importance of a professional network management was stressed numerous times during the interviews. An engaged executive management team and board which do good work, as was said by several respondents, increased the professional appearance of the network. This enables the members to focus more on their businesses rather than the organizational aspects of the network. Additionally the full-time management is able to develop ideas and improve network activities since this is their main focus.

The members have expressed several expectations towards the management team of the network. Their responsibility is to provide the members with options of what is possible, but not to force them to join in on all network activities and cooperations. Even though it was underlined that the members lose some of their influence they are able to decide what will

benefit their business and what is not suitable for the company. This is encouraged by the flat organization hierarchy and the history of the network being a union of few small businesses. It was stressed by the interviewees that they still have the chance to engage in the discussions and submit ideas to the management, but that the success of the network does not depend that much on each member anymore since its growing considerably over the years and the work being divided differently now. It is further essential for the members to trust the management and understand that in order to make fast decisions in a network of considerable size not all opinions can always be considered equally.

Due to the estrangement of the management team and the members it was stated to be even more important to keep up a good flow of information in both directions. The tasks of the management team here is to inform the members of everything that is going on and to give them options for possible projects. An elected board of members is supporting the communication in both directions.

Even though many respondents pointed out the positive aspects of having a professional management team, others were slightly concerned by the development the network might take. Some respondents worry that the detachment of the needs and expectations from the members and the ideas of the management team will be too strong. But it was then also said that as long as some members and the mentioned board are active it should not be problematic.

#### **4.3.2 Role of the network member**

Although the members of the network are not as important for the success of the network as they used to be when the network was smaller, the importance of the members input still became obvious from the empirical material. It was pointed out by one interviewee that due to the voluntary structure of the network the success still depends greatly on its members.

One aspect is the financial funding of the network which is provided by the network members. It was pointed out to be a central contribution of the members to provide the monetary funding in form of the membership fee to ensure the capability of the network to act. The money is mostly used for marketing purposes, but also starting the CSR process. Therefore the increasing number of members was pointed out as an advantage.

Besides the financing of network activities the members play a role in giving impulses to the management team and supporting the current development of the network. Members always have the option to contact the management with suggestions and it has been said by several interviewees that this is also appreciated by them. It was pointed out by most interviewees and also in many responds from the questionnaire that the occasion used most frequently for members to express their opinions is during the member meetings where essential decisions are voted on. Furthermore it is expected of the elected board to engage actively in the development of network activities and forward important information.

A problem that has been emphasized on regarding the engagement in network activities is that small and medium sized companies often do not have the time or man-power to be very active. Thus it is understandable that the active engagement in the network activities varies from member to member and also from time to time. "It changes from time to time who is active and I think that is also a good thing, because it breathes new life into the network," said one of the interviewees stressing that varying engagement in the network does not cause problems for the network. Additionally it was stressed that the members need to support activities initiated by the management team especially regarding sustainable tourism. In this regards the certification of CSR which every member has to undergo was mentioned several times.

A large share of what makes the network vital for its members is the communication between the network members. This means without the engagement of the individual companies an important advantage would disappear.

#### **4.3.3 Sharing responsibilities**

It became clear that some tasks within a network can only be accomplished when everybody is involved in making it a success. One respondent says "it is important to find a consensus since the network does not have a chance without that." The three building blocks of the network have been said to be the members, the network management team and the board consisting of elected members. It is important to have a management team for the daily operations of the network as well as a board to develop the ideology of the network and to assure the flow of information within the network and the members in order to have new ideas coming into the network.

## **4.4 What to get out of the network...?**

A discussion of the expectations and potential benefits of being a member of a horizontal network is necessary in order to answer the posed research questions regarding the outcomes, but also the organization of a horizontal network. I started exploring this area within my questionnaire by asking the respondents to rate the potential benefits promised on the website of the network on a scale from very important, important, rather unimportant and unimportant. Based on the questionnaire results the received benefits were discussed in the interviews. To begin with, the presentation of the received benefits can be differentiated regarding the interactions they resulted from, which means in this case either resulting from the interaction with the network management and the general cooperation of all network members or as a result from the interaction between individual businesses.

### **4.4.1 ...from the network management?**

A defining statement from one of the respondents during the interview was the following: "Everybody needs the normal things, everybody needs insurance coverage, everybody needs marketing, everybody needs legal protection, everybody needs all kinds of things..." This is where the importance of being a member of a network becomes clear. It has been stressed by several respondents both in the questionnaire as well as during the personal interviews that certain services provided by the network are an important factor of being a member in the network. As stated above all companies need certain things and a network enables small companies to acquire things together, negotiate better conditions and therefore improve their general economic situation.

A theme that occurred in the questionnaire and was graded as one of the most important benefits from the network membership regarded marketing activities such as the professional internet platform with very high ratings (22 out of 44 graded it very important, 12 out of 44 as important) and PR and the participation in tourism fairs was rated important. Furthermore it was rated important by 24 out of 44 respondents of the questionnaire to use the membership in the network as a marketing instrument. Knowing that marketing aspects are important for the members this was also discussed in the interviews. It became apparent that marketing and the efficiency of the marketing activities are a topic of controversial discussion. Several interviewees stated that they expected marketing activities from the

network management and that it is one of the central tasks, but those expectations were not necessarily always met. Furthermore it was said that the membership in the network enabled small businesses with a small marketing budget to work together to afford expensive advertising in big publications. Moreover the network can provide the members with contacts to media and press. Additionally it has been stated that the network provides the opportunity for the tour operators to position themselves in the public regarding the topic of sustainable tourism. The third topic regarding representation of the members in the public is through tourism fairs. It was stressed that money can be saved due to the united appearance and the shared booth at the tourism fair, this in addition increasing the visibility of each member.

Other shared services were discussed which enable the members to save money and time. Examples for that are the network lawyer, accountant, insurances and several tourism specific cooperations. All those things have been rated rather important in the questionnaire and have been mentioned in the interviews as important benefits.

An additional topic was the information received about the development of sustainable tourism which is very specific for this network. When asking in the questionnaire about the motivations to be part of this specific network, sustainability was the dominating answer. The information provided by the management allows the network members to improve their own businesses, gain qualifications in that area and stay up-to-date on the current development, which would not be possible without the flow of information. The information flow within the network in general is essential for the members. The internal newsletter plays an important role in communicating within the network. It is seen as a way to expand the members knowledge. The results from the questionnaire further show that two thirds of all 44 respondents consider it either very important or important to have a contact person and advisor available if they need it. The competence of the network management in the area of sustainability was stated to be very important for members, but also the information flow was appreciated by the members.

Factors of improvement were mostly pointed out in the questionnaire. This for once focused on the costs for small businesses and the financial use of the network, which has also been addressed in the interviews. According to several respondents it is difficult to evaluate the financial benefits of the membership. It was additionally discussed that several

members wished for a more effective marketing by the network management and that there was the need for improving the popularity of the network. On the other hand, when asking the interviewees directly how much they paid in member fees most could not answer immediately and one respondent directly pointed out the amount wasn't very important to him. The reaction of the other respondents indicated similar attitudes, which shows that many members do not consider the member fees too high to be perceived as a negative aspect of being a network member. Secondly suggestions for improvements regarded organizational factors such as distribution and marketing channels like the participation in tourism fairs and the network catalog, but also regarding internal network communication.

It showed that many of the countable economic benefits resulted from activities or cooperations initiated by the management of the network. In addition the network membership in general enabled the members to engage in relationships with other members. This is done for example through the annual general meeting of all members or other meetings such as regional meetings encouraged by the management of the network. The outcomes of those interactions will be discussed in the next section.

#### **4.4.2 ... from the other members?**

The questionnaire's results revealed that internal communication is an important part of the membership in the network: 11 respondents consider it very important, 22 important, eight rather unimportant and only three unimportant. Furthermore it showed that the positive atmosphere has some degree of importance in the network. That became even more obvious from the personal interviews. While six rated it very important, 21 important, still 6 consider it rather unimportant and another 11 unimportant.

An important question for many business owners and managers is "How do they do it?" In the network *forum anders reisen* this is actually a question that can be asked and is frequently asked by the network members. Several respondents said during the interview that a great advantage of the membership is that it is possible to compare your business operations directly and openly with other similar tour operators and receive feedback from your colleagues. The cooperation between different tour operators enables the individual company to improve their work process by having the chance to see how other companies work. "Normally we rely on the things the network members say, because we get many

different experiences from people who have worked in the tourism industry for a long time,” said a new member who just recently started operating in the tourism industry.

In this context it was also presented that the network encourages the different companies to combine their forces and use synergy-effects as has been mentioned a lot in the questionnaire too. The network membership makes it possible to cover more of the tourism market together and in order to do that the members supplement each other’s competences and knowledge of e.g. destinations or other degrees of specializations. One interviewee stated that the diversity and degree of specialization also makes it easier to find a company within the network that is not a direct competitor and making the exchange of internal information even easier. Furthermore one respondent explained how finding other tour operators for cooperations was very difficult before entering the network and than once a member all constrains vanished and it was less important that the other tour operators used to be seen as competitors.

Another important aspect that was repeatedly mentioned was the direct mediation of tours of other members to the own customers and the exchange of customer requests. Many of the respondents in the interview pointed out that they had included tours from other members in their program and sold them to their customers. On the one hand it increases the product portfolio of the one tour operator and on the other hand it expands the distribution channel of the other business. An even further cooperation is the combined creation of tours of two or more companies together, which shows the customer that they are producing a good product by combining their forces. It was stressed to be important to work together with others in order to improve the quality of big projects. Additionally it provides the opportunity to share and accumulate customers. It was pointed out that the important factor here is that the companies know each other due to the membership and are therefore not working with strangers. According to an interviewee these cooperations are also favored by the small size of the companies and the flat hierarchy which makes it easier to communicate directly with other members.

Discussions generally seem to be very important in the network and one respondent stated “we really talk about almost everything.” When asking for specific examples it became apparent that industry specific topics are in the focus of the discussion as well as exchange of experiences. Examples are technical questions such as back office systems, advises about

airlines and agencies, marketing issues such as efficiency of different advertising mediums and suggestions of good tourism fairs. Additionally it was said to be important to talk about the general situation in the tourism sector, how to cope with issues such as the current situation in Japan and how that might influence the daily operations.

It was interesting to see from the questionnaire that the most important channels of communication within the network depended rather on the members and not so much on the network management. It showed that a lot of communication takes place when personally meeting the other members for example at tourism fairs, regional meetings or communication apart from network activities. The regional meetings were also discussed during the interview since they seemed to play an important role in the network communication. This was confirmed by the majority of the network members. Meetings were described as very informal get-togethers where the members have the chance to just have casual conversations with other members over a beer and “discuss all kinds of problems,” as one interviewee said. The regional meetings seemed to be of special importance within the network since they encourage the formation of personal relationships.

#### **4.5 Together we are stronger**

Several general outcomes of a strong network were brought up during the field work. The growing influence on the development of the tourism industry was one which was pointed out several times during the interview and included in the questionnaire. In this context sustainable development is especially important to the network members. It was stated that due to the union of many small and medium sized companies they achieved to have a voice in public and be listened to which could not have been accomplished individually. It became apparent that one shared goal of the companies is to influence the political discussion, which can be done more easily in a unit such as *forum anders reisen* than alone.

The united appearance enables the businesses to position themselves on a highly competitive tourism market and increases the popularity and recognition of every individual member. The network membership was also described as a way to differentiate oneself from other competitors not in the network and stick out on the market. Several respondents stated to get feedback on that from their customers.

Since marketing and increasing the recognition value of each individual member already proved to be important for the members from the questionnaire answers, one question in my interviews concerned *forum anders reisen* as a brand. The opinion on this topic was very divided. Some respondents clearly considered the network as a brand for sustainable tourism and others said it was a desirable goal which still needed a lot of work from the network management. The network was often considered as a set entity which still needed to gain more popularity. The CSR certification initiated by the network and mandatory for all members was said to become a more official brand than the network itself.

It was further stated by several respondents that an advantage which results from uniting many small and medium sized business is the increased trust put into the quality of the products. This trust in the quality of the products can be seen in three ways. Firstly trust is created between the tour operators within the network. That trust increases the likelihood of including the tours of other businesses into the own program and sell it to one's own customers. After all it is the united distribution which is perceived as very important. This can be encouraged by the direct contact between members as well as by the management of the network as mentioned earlier through the internet platform and the network catalog. Secondly quality is shown to the consumer. "Many people know that not everybody can be a member of the network." And the membership in a network such as *forum anders reisen* is one way of evaluating a company. Thirdly the image in the general public and the media is improved. What applies to the brand can also be applied to the perception of quality which was said to have increased due to the CSR certification.

## **5 Analysis**

*In this chapter I am connecting the empirical findings to the relevant theoretical framework, but since a lot of empirical material has been gathered in the field work, the analysis cannot cover everything in the same depth. In order to answer the research questions the main focus will lie firstly on the management style of the horizontal network and secondly on a discussion of the different relationships in a network on the horizontal level and their meaning in regards to exchanges taking place. Finally the analysis of the different exchanges resulting from the interaction will be addressed.*

*I chose to begin with the discussion of the management of the network in the analysis since it provides the frame for the interaction taking place within the network and also directly corresponds to the first research question. As the second step I am explaining the different relationships and their implications regarding the organization of the network as well as their influences on the outcomes of the network. That section provides me with information enabling me to answer both research questions. Further the last section discusses data regarding the last research question. The result of varying activities will then be examined closer covering social and economic exchanges as well as the exchange of information and their interdependencies. When discussing the economic exchanges, I will not provide explicit information on how much money can be saved or additionally earned due to the network membership, but focus on the different services and interactions included in the economic exchange. In order to make it easier to understand the analysis I will follow a similar structure as the theory chapter and thus this chapter is based on my constructed model presented on p. 31.*

### **5.1 Managing the network**

One section of the presentation of the empirical findings is concentrating on the distribution of tasks within the network. The separation into the “role of the network management team” and the “role of the network members” already shows that there are two main contributors to the successful organization of the network. That is firstly the independent management team and secondly the members themselves. Furthermore there is a third contributor which has not been discussed in a separate section earlier, because it is part of

both contributors at the same time – the board of elected network members. This board serves as the connecting organ between the management team and the network members.

Provan and Kenis (2007) as well as Wegner (2010) are discussing the difference between centralized (through a management team) and decentralized management (through self-governance by the members) and both of those management styles are present in the analyzed network complementing each other. It was decided within the network to mix the management styles and apply both of them at the same time fulfilling different tasks. Since the interaction and activities in the network cover many different areas the organization of the network cannot be managed by only a management team nor only by the members. In the early years of the network, when it only consisted of few members, that was different since it was still possible for the members to coordinate a small amount of member companies. However as it is stressed by Wegner (2010) management styles need to adapt to the changes of the network. With the growing number of members the network required a different form of management since the large number of members could not be coordinated anymore without a professional management. This goes in line with an additional argument of Wegner (2000) that larger networks tend to need a centralized management structure.

Furthermore with the development of the network the members expected more services which could not be provided without a professional management as discussed in the empirical material. The management team covers the administrative work within the network and also prepares and later offers possible services regarding for example marketing activities or specific cooperations to the members. This shows the importance of centralized management for the network. Still the members themselves decide which of the services they want to utilize. Further they decide by vote on annual member meetings for example how the network is going to develop in the future. The members also function as an important source of impulses for further improvements. It became clear from the empirical findings that often the new ideas are brought to the management team by the members. The management team then works with the ideas further to create something valuable for the majority of the network members. Provan and Kenis (2007) discuss the division of responsibilities which is clearly present in the network under investigation.

Additionally, since one important benefit of being a network member is the communication and exchange with other actors, a positive outcome relies heavily on the members

themselves and their engagement. The management team can only supply the framework for those exchanges and therefore a major part of the activities in the network need to be self-governed and cannot rely on a centralized management team or even the mediating board of elected members. Hence the given examples demonstrate that shared-governance plays an equally important role in the management of the network as a professional management team does.

Having discussed the dependence of the two different forms of organizing network activities Weber (2010) argues that to heavy reliance on the management team can be disadvantageous for a network, but in the present case the ability for the members to rely on the management team in some aspects enables the members to focus on their businesses without the network suffering. A possible area of conflict discussed by Provan and Kenis (2007) which also arose during the field work is the disconnectedness of management team and network members. Several interviewees showed their awareness of this possible problem and therefore one approach this network has taken to solve the problem of disconnectedness is to introduce a board of elected network members to control the management team. The board will support the flow of information in both directions and is a way to keep up the contact between management and members.

Another potential problem being pointed out by Provan and Kenis (2007) is that of unequal engagement and commitment in a self-governed network. Especially in the interviews this was a topic of discussion and it showed that this is partly present in the network, but is not really considered a problem as long as there is always someone in the network that is engaged and fosters the development. It was stated to be unlikely that everybody is equally active all the time and that responsibilities change over time. This can also lead to positive outcomes since the variation in people being active and giving inputs provides the network with new ideas and varying attitudes. Furthermore the network might even suffer from too many active members because the ability to make decisions could be undermined by too many opinions. Particularly for small and medium sized companies it is difficult to constantly contribute to the network activities. Therefore the shift of engagement was considered necessary to do justice to the own business as well as the network.

It can be summarized that an evenly balanced mix of decentralized and centralized management is the formula to success on different levels. On the one hand the network

members need to be able to express their opinion and be able to influence the network activities and on the other hand an independent management team whose focus is to coordinate and develop the network's activities is essential to keep the network consisting of small and medium sized companies efficient. A flat organization hierarchy and an elected board of network members serve as a tool communicating between the different organs. The task of the elected board is to make sure that the management team follows the member's vision and expectations and also to secure that possible activities are presented to the members. It can thus be concluded that the network is supported by three building blocks: a centralized management team, a decentralized management system that enables members to take part in the organization of the network and the elected board mediating between the two sides. The interdependencies as well as the reliance on each other became visible.

## **5.2 Relationships within a network**

Bengtsson and Kock (1999) discussion of different relationships actors can engage in on the horizontal level circled around competition, co-existence, co-opetition and cooperation. From the empirical material it became apparent that all those relations are present in the investigated network but one, none of the respondents stated to be only in a competitive relationship with other members. It was said though that competition plays a role in the network and influences the interaction, but that there always is a relation between the actors which goes beyond competition.

The majority of the respondents in the questionnaire stated to be in a relationship based on an equal mixture of competition and cooperation, which was defined by Bengtsson and Kock (1999) as co-opetition. Since the products of some members overlap, a certain degree of competition with other members was pointed out, while there is less competition with other actors having a different product portfolio. Due to the large number of network members co-existence also becomes more common in the network since it is not possible to interact with all members on the same level. This applies mainly to the individual contact between members. Regarding the entire network this can be totally different since all members are participating in some sort of cooperation on the group level which means there are indirect links between the members. Sundbo et al. (2007) engage in the differentiation of indirect and direct connections in horizontal networks. Considering the different levels of interaction

taking place, both indirect and direct connections became visible. It became clear that the individual cooperation is important for many members and that is where the personal and informal interaction plays a big role since it encourages the formation of strong bonds between some members. Thus it showed that the different relationships exist parallel to each other and that the actors engage in many different relationships within one network. The kind of relationship depends on the level one is looking at, on the individual actor and can also change over time.

Besides the general classification of possible relations used by Bengtsson and Kock (1999) the interaction on the personal level within the network was stressed to be important. While Gnyawali and Madhavan (2001) emphasize the importance of formal links in horizontal networks, Sundbo et al. (2007) and Cheikhrouhou et al. (2010) point out that interactions can be based on formal as well as informal connections. The relationships within the network spread from formal interactions through contracts (ex. insurance and lawyer) and shared projects (ex. shared distribution platform) to very informal interaction at meetings or over the phone where information is being exchanged on a personal basis. Further the network structure encourages the personal interaction. Due to the small size of the majority of the member companies the personal contact is easily accessible, established and maintained. The closer the personal connection between the network members the less formal the bonds are which lead to the exchanges. Thus the relationship often spread beyond the business links and have potential to result into friendships or at least a friendly relationship.

Hakansson and Snehota (1995) discuss the creation of personal bonds beyond business links on the horizontal level which was also apparent in the present case. The circumstance that the network consists of like-minded people interested in similar topics (such as the sustainability aspect) and face similar situations in their business life due to owning or working for a small or medium sized company promotes this friendly connections even further. One respondent stated to be a member of a big family, but in comparison to co-existing with other actors only indirectly connected highlights how different the relationships are within the network. In order to organize a big network there is a need for formality as well. This is important as it has been pointed out that personal bonds might break and thus endanger the business links too. Such conflicts can be avoided by links based

on contracts. It always depends on the relationship within the network one looks at therefore a mixture of formal and informal connections, professional and personal relations appeared suitable.

The aspect of trust has been discussed as an important factor within the network when cooperating with others. Cheikhrouhou et al. (2010) stress that trust is especially important in horizontal networks because the actors operate in the same business field and therefore generally compete for customers. Personal relationships increase the trust within a network and therefore make the interaction between competitors easier. Even though it has been stated that it is easy to engage in personal contact, with a growing network the personal relations are harder to maintain with all members. Therefore it is likely that small groups form within the network in order to keep up the personal interaction. It depends on each member to build personal contact with other actors, but the membership in a network is providing the framework and the first contact to like-minded people in a similar business situation. Specific for this network is their common goal to improve sustainability in the tourism industry which has a decisive effect on the relationships within the network too. It makes it easier for the network members to trust one another when knowing that they follow the same ideology. Bengtsson and Kock (2000) stress the importance of mutual objectives and trust for successful network operations. This interdependence between the two factors became clearly visible in the network analyzed.

### **5.3 Exchanges in the network**

Diverse exchanges and their results are the desired outcomes of a membership in a horizontal network. This was pointed out by several researchers (Bengtsson & Kock, 2000; Gulati et al., 2000 and Wegner, 2010) as motivating factors to join a horizontal network and also became apparent from the empirical material. It can be in form of direct exchanges between the actors or services provided by the network itself. Ho (2006) discusses that the outcomes can be based on social and/or economic exchange, while Bengtsson and Kock (1999) argue that exchange on the horizontal level is more likely to be based on social exchange and less likely includes economic exchange. From the empirical data it became apparent that most businesses join the network in order to improve their economic situation which clearly shows that the economic exchange is essential for being a member of a horizontal network. Even though the economic exchange was stated to be important, this

analysis will not provide numbers showing the explicit monetary benefits for the members. The empirical material rather covers the services and interactions being part of the economic exchange than the monetary worth of them. Furthermore social exchange has been observed in the given network as well. The importance of information exchange was already stressed in the discussion regarding managing a network, but is important to point out again since the exchange of information is an essential part of the economic and social exchange. As Wincent (2008) differentiates between intangible and tangible exchanges, information and social exchange can often be classified as intangible, while economic exchange is likely to be based on tangible exchanges as well. The empirical material showed that social and economic exchanges are closely interlinked with each other including the exchange of information and therefore have to be seen as interdependent entities.

The network sets the framework for social interaction between the network members to take place and it was obvious that this social exchange creates value for the members on its own, for example through shared dinners at tourism fairs or invitations to birthday parties. Furthermore a lot of the social value perceived by the network members results from knowing that there is always someone you can ask for advice and talk to about occurring problems if needed. Other network members are willing to help out and solve problems together. As Ho (2006) argues the exchange relies on the “good-will” of the members and therefore the social level seems to become especially important. Additionally the social exchange is the basis for a lot of the economic exchanges taking place in the network. It enables the different actors to talk to each other openly and exchange experiences that would not be possible otherwise. The members support each other in business matters also based on knowing each other personally. Further the social exchange taking place creates a positive atmosphere characterized by openness and trust towards each other which then encourages new members to behave similar.

While the social interaction is an important contributor to the success of the network there is also an economic value produced within the network that is not directly connected to or resulting from the social exchange. This applies mostly to the activities and cooperations shared by all network members. In the presentation of the empirical material it was emphasized that the network management provides many services to the network members in form of contracts with for example insurance companies, a network lawyer or other

business related organizations which provide monetary advantages for the members. Due to the great amount of members the network is able to generate better rates. The exchange theory draws close connections between formal links and economic exchanges and it was obvious that countable financial benefits resulted mostly from legal contracts, as it has also been argued by Ho (2006). Further economic exchange creates synergy effects for example through the creation of a network owned distribution platform (internet platform and catalog) as well as the use of the distribution channels of other network members. This is a way of sharing resources and combining capabilities stressed as important motivation factors for joining a horizontal network by Gnyawali and Madhavan (2001). The combination of capabilities becomes even more obvious when different members create new products together like collectively organized tours. There the social component plays a role again as it was stated by one respondent that due to the size of the network one can choose to cooperate with whom one gets along with personally as well.

Tell (2000) stresses that learning together is a desired outcome of networks. In order to achieve this, the exchange of existing or creation of new knowledge has to take place. The empirical material has shown that this can occur on the formal basis through a newsletter for example and on the informal basis through direct contact and knowledge exchange between the members. However Morris et al. (2006) emphasize the importance of strong connections within the network in order to achieve network learning. Therefore relationships based on trust and personal interactions, as present in the network, strongly influence shared learning. Shared learning takes place for example through the exchange of information or the discussion of current topics. Giving and receiving suggestions about for example regarding booking tools or efficient marketing instruments is a way of learning from other. An example for the network members created new knowledge together is them trying to find solutions together concerning the current situation in Japan. Contrary to the argument of Eng (2005) that network learning is a "by-product" of being a network member it was stressed by the respondents that sharing knowledge and learning from and with each other is important. Several respondents said that especially in the beginning of their business operations it was crucial for their business success to see how other tourism businesses organize their operations.

Wincent (2008) argues that all exchange relations are self-motivated, which was only partly confirmed through the data collected. Even though it was stressed that network members expect certain benefits from being in the network, it also became clear that respondents joined the network in order to support the sustainable development. As a result this common goal creates trust in the other members, which further leads to positive relations between the members, but that was not the motivation behind working towards a sustainable development in the tourism industry in the first place.

Discussing the expectations of benefits Ho (2006) additionally addresses the problem of no guaranteed benefits for the network members. This was slightly visible in practice as well, but more the case in the earlier years of the network. By now the network has established a size and build up cooperations which ensure certain benefits. However one aspect important to many members are the marketing activities through the network and that is still a developing process. The degree of popularity of the network is constantly increasing, but it is not guaranteed that it will reach the level some of the members wish for. Such examples show that long-term benefits emphasized by Wegner (2010) play a role in the given network. Additionally it was pointed out to be difficult to know what the results of the marketing activities through the network are, which leads to another important point: the evaluation of the membership.

Even though the social exchange is important, the benefits resulting from this exchange are difficult to evaluate financially. Personal interaction between the members showed to be an underlying concept in the network influencing a lot of the activities. The evaluation is often easier on the economic level, but still some members had difficulties doing that as well. Even though the financial aspect was stressed to be important to the network members, it was also stated that monetary and non-monetary exchanges as discussed by Eng (2005) are difficult to evaluate, because the members often did not make to effort to concretely measure the financial benefits. They rather relied on their overall intuition that the network membership is beneficial. Thus despite not knowing for sure how big the financial benefit from being a network member is, all interviewees showed a very positive attitude towards the network. After all one factor where all respondents agreed on was that they are stronger together and can achieve more in a network than alone. This shared strength is supported by social and economic exchange as well as the exchange of information. The exchange of

status and shared reputation enables them to increase their legitimacy and stand out from other competitors outside the network, which is important according to Provan and Kenis (2007). Doing things together also raises the sense of identity which further decreases the feeling of interacting with competitors. It rather puts focus on accomplishing something as partners that would not be possible to accomplish by oneself.

## 6 Conclusion

*In this final chapter I am summarizing my work and pointing out the important findings of this research project by answering the posted research questions. I am drawing conclusions regarding the organization and management of horizontal networks influencing the networks' operations and the outcomes of the interaction between actors operating in the same business field by using a model constructed for this purpose. I will end this chapter with suggestions for further research, which are built on the limitations of this research project.*

Uniting in horizontal networks can be a way for small and medium sized companies to meet the challenges of a globalized and highly competitive tourism market. Therefore the aim of this research was to generate knowledge of the phenomenon of horizontal networks with special attention to small and medium sized companies in the tourism industry. Furthermore I aimed to illuminate how the interaction through horizontal networks influences the operations of actors operating in the same business field. The process of illuminating the phenomenon of horizontal networks was started by discussing previous research on horizontal networks. I continued with my own research in form of a quantitative questionnaire as well as qualitative semi-structured interviews carried out in the network *forum anders reisen*. The theoretical framework in connection with the empirical material gathered enables me to answer the posed research questions.

The following model summarizes this paper and provides an explanation of the interaction of competitors in horizontal networks. Further it enables me to answer the two research questions and to draw conclusions valuable for actors to consider when joining a horizontal network. In order to do so I am addressing two different aspects. Firstly I am answering the first research question by discussing how the interaction of actors in horizontal networks is organized and how the management is influencing the success of the network. Secondly I am focusing on the exchanges taking place within the network in order to answer the second research question regarding the outcomes motivating a network membership.

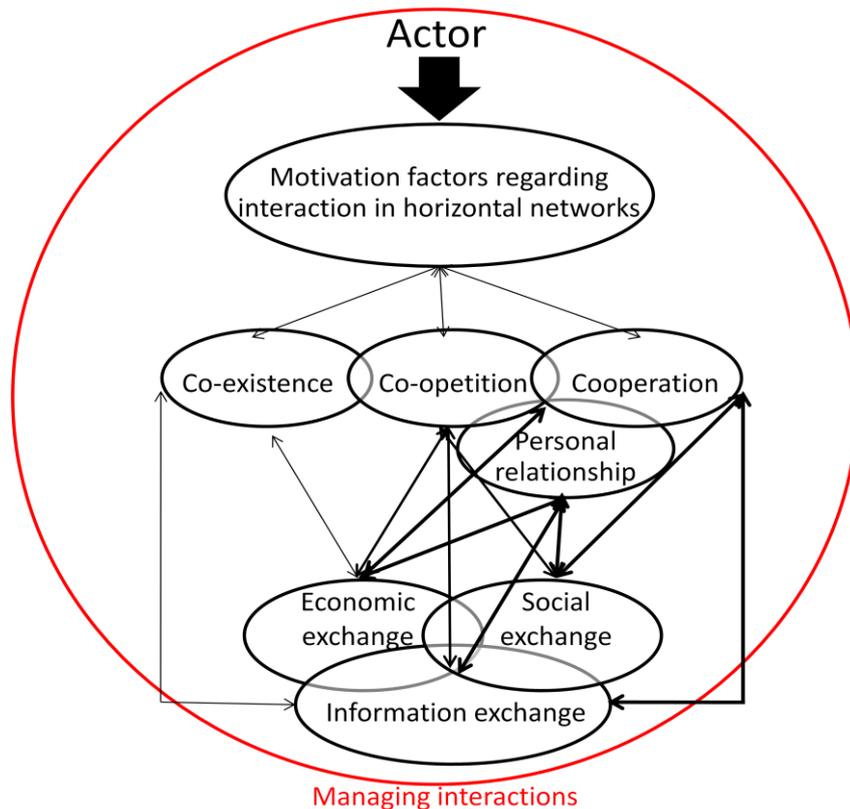


Figure 3: Relationships, interaction and exchanges in horizontal networks (own figure)

Interactions of actors on the horizontal level are influenced by several different factors and the organization thereof is thus very complex. The organization and management of a network is a mixture between how it is actually managed and by whom and the relationships that result from the interaction within a network since all that influences the activities and the outcomes of a network. Therefore different management tasks are fulfilled by different actors within the horizontal network. Firstly regarding the management of a horizontal network a mixture of different management styles showed to be the most effective for a network consisting of small and medium sized companies. On the one hand a professional management team increases the efficiency of the network and the services provided to the members. Furthermore it enables the members to focus on their daily businesses without the network suffering. On the other hand it is essential to involve the members into decision making processes regarding the development of the network. This is important to keep the members engaged and loyal to the network and prevent the problem of disconnectedness between members and network, but also because necessary inputs come from the different actors. A third part influencing the organization of a horizontal network is an elected board of members which serves as a junction between professional management and members. Their central task consists of the distribution of information in both directions and the insurance of a smooth communication within the network.

Besides the actual management the diverse relationships are an essential contributor of the organization of horizontal networks. It can be summarized that horizontal networks enable the creation of relationships based on co-existence, co-opetition and cooperation, but pure competition does not have a place in a horizontal network. The overlapping of the different forms of interactions, shown in the model, implies that the relationships influence each other, but also that the actors can be engaged in varying relationships at the same time. Furthermore relationships within a horizontal network often change over time. Throughout those different forms of interaction with other members the process of creating business links is supported by the network structure itself, but the formation of bonds depends on every individual actor. In this context trust is a factor to be considered, which, when built, can lead to the creation of personal bonds. The model further presents the overlapping of personal relationships with co-opetition and even more with cooperation which shows the importance of the personal relationships for productive business relationships to develop. Personal relationships refer to an interaction based in the social level, but does not imply that the interaction has to be face-to-face. Co-existing actors do not engage in personal relationships and therefore the possibility for social exchange does not exist.

Additionally the different relationships influence the exchanges within a horizontal network decisively, which leads to answering the second research question. The exchanges taking place in a network are equally complex as the organization of the different interactions and thus the exchanges occurring in the network and the factors influencing them are discussed in the following. It can be concluded that economic exchange and information exchange is accessible to all network members regardless of their relationship to other actors, but that the intensity of and the benefits received from the exchange depends on the relationship.

Engaging in a cooperative relationship also based on a personal connection is likely to result in a more valuable outcome regarding the economical and information exchange, than relationships based on co-opetition and co-existence. In the case of co-existence the economic and information exchange is often based on services provided by the network management team instead of direct interactions between actors, as it is the case in relationships based on competition and also partly when looking at co-opetition. Social exchange occurs when co-opeting, cooperating or being involved in a personal relationship with other actors, but the intensity depends greatly on the relationship it is based on. In the

model the different intensities of the connections are symbolized through the thickness of the arrows. While links are represented by thin lines close bonds are shown by thick lines.

Besides the relationships influencing the different forms of exchanges, the exchanges are also influencing each other. Social interactions influence economic exchange and therefore it is often difficult to differentiate if benefits result purely from economic exchange or if they are based on the social interaction between members. Furthermore it has to be considered that the economic exchange can also serve as the basis for interaction and formation of bonds on the social level. Additionally the exchange of information partly originates from the social as well as economic exchange.

When analyzing the different exchanges within a horizontal network it can be concluded that the social exchange depends strongly on the individual actor and their interaction with other actors while economic exchange can result from the interaction with the management team and other actors directly as well as indirectly. Information exchange was found to be important regarding all aspects of actors interacting in horizontal networks. Thus all three exchanges motivate actors to join a horizontal network. Achieving improvement of the overall economic situation is motivating many actors to join a horizontal network. However, especially in horizontal networks trust and the social component are important to overcome the sense of competition and reach a state of unity and working together in order to achieve more. The personal relationships encourage network members to form informal and strong bonds increasing the benefits received from the membership and a common goal increases trust as well as the likelihood for personal bonds to form even further. The mixture of formal business links and informal personal bonds is what makes the network work and enables small and medium sized companies to gain influence and visibility on the tourism market. Due to the complexity of the relationships on the horizontal level and their influence on the benefits received from a network membership it is important that the interactions are managed efficiently. Therefore the tasks within a horizontal network ensuring that the members receive a positive outcome from the network membership are distributed between three different organizational organs: a professional management team, the network members and an elected board of members.

Considering the complexity of the phenomenon of horizontal networks not every angle could be illuminated in this research project. Further research is needed to overcome the limitations of existing research, including this master thesis, in order to expand the academic knowledge of the phenomenon. This can cover additional investigation with the explicit focus on the effects of social exchange, which will improve the understanding of the social component as part of business interactions. Furthermore it is interesting to engage in deepening research how the management of horizontal networks perceives the importance of the social component in exchange relations and if/how they can be influenced from the managing organ within the network. The constructed model is applicable to the chosen case, but that does not necessarily mean that it is valid for all horizontal networks in the tourism industry. Therefore the model needs to be verified by applying it to other cases in order to establish its general relevance. Finally the aspect of sustainable development in the tourism industry is important to all network members, which might have influenced their willingness to work together and trust each other. Hence other researchers might investigate cooperation in horizontal networks without such a distinctive common objective.

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## Appendix A: Questionnaire

1. How many employees does your company have?

2. How long has your company been a member of forum anders reisen?

Founding member 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010  
2011

3. Why did your company decide to become a member of a network?

4. Why did your company decide to join this specific network?

5. Is your company a member of any other network?

Yes No

5.1 If yes, which?

6. Forum anders reisen is listing the following benefits on their website, what meaning do those criteria have in your company?

	Very important	important	Little importance	Not important
Professional Internet platform				
Contact person and advisor				
Participation in tourism fairs				
„Reiseperlen“ (Catalogue)				
other Marketing advantages				
PR				
Help with legal questions				
Support of public funds				
Insurance coverage				
Political Engagement				
Travel insurance				
Internal communication				
Bankruptcy				

insurance				
Marketing with membership				
Liability insurance				
Good atmosphere				
Ordering service				
AER package (airline tickets)				

**7. Do you see any other benefits of being a member that are not listed here?**

Yes No

**7.2 If yes, which?**

**8. In which areas do you see the need for improvement?**

**9. Are there any disadvantages caused due to the membership in the network?**

Yes No

**9.2 If yes, which?**

**10. How do you evaluate the activeness of your company in the network?**

very active, active, seldom active, passive

**11. How often and through which channels do you communicate with other member of the network?**

	Regularly	Not regularly	Never
Communication through internal Newsletter			
Communication at fairs			
Communication at regional meetings			
Communication apart forum network activities			
Others			

**11.1 Please list other ways of communication here.**

**12. How do you see the relationship to other network members?**

Only cooperation, mostly cooperation, equal balance mostly competition, only competition, other relationship

## **Appendix B: Interview Guide**

For the record:

Number of employees, duration of membership, position of the interviewee in the company

### **Introduction questions**

Can you please describe forum anders reisen in a couple of sentences?

How do you see your role/position in the network?

How was the overall situation of the company before joining the network?

Problems? Internal- or external driving factors? Ex: economic situation, marketing, sustainability

When you are looking back now, what were the expectations of the membership in the network and have these expectations changed over the years?

Did something change in your company after joining the network?

Positive and/or negative? Financial changes? Changes in daily operations? Other changes?

How does the membership in the network influence your daily operations?

How present is forum anders reisen? Reliefs? Difficulties?

### **Internal communications/exchanges**

The exchange with companies with similar goals seems to be very important for members of forum anders reisen...

How does this kind of exchange take place? Which topics are covered in this exchange?

What kind of information is being exchanged?

In which business fields/sectors is the exchange helpful? How much internal information do you give away? Is openness and trust an issue in that?

How much does the success of the network depend on the engagement of the individual member?

Many members classified themselves as little active: Do you think that is problematic?

Suffers the network from that? How do you contribute to the success of the network?

Do you have examples where you cooperate directly with other network members?

Do other members inspire your company to develop new product or improve already existing products?

### **Personal relationships**

Please tell me more about the Regional meetings!

How are those meetings organized? What is being discussed at the meetings? Are they formal and informal? How regularly are they taking place?

A rather high number of people answered in the questionnaire that they are communicating with other members apart from forum anders reisen activities! Could you give me examples for that? What are the reasons for this kind of communication?

The use of synergy effects was often named as a benefit of being a member of forum anders reisen. Can you give me examples of such use?

Did friendships to other members develop through the membership? Is this personal basis also important for the professional exchange?

### **Communication with network management**

Do you feel that your company has a voice in the decision making process?

In which ways does the management of forum anders reisen encourage members to be active in the member? Do you feel that your opinion is incorporated?

What are your expectations of the organization forum anders reisen?

Does the management of the network have an active role? Manages forum anders reisen the interaction between the members? Do they advocate your interests?

In which areas do you use the competencies of the management?

### **Marketing**

What is your main marketing tool?

Do you actively use forum anders reisen as a marketing tool to attract customers? Do you feel that you are more visible on the market through the membership? Would you consider forum anders reisen as a brand?

Do you get feedback from your customers regarding the membership?

### **Summarizing questions**

How do you perceive the cost-benefit relationship?

Is it equally important for both types of businesses to be a member of a network?