

## UNEXPLOITED POTENTIALS OF NETWORKING IN THE HOSPITALITY BUSINESS - SLOVENIA'S CASE

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### **Abstract**

In addition to theoretical arguments advocating various advantages of industrial networking, many examples of good practices and positive experiences can be found worldwide. Therefore, in many countries political measures have implemented to boost strategic partnership between companies. Nevertheless, examples of good practices of networking in the hospitality business are still relatively rare. In this paper, results of a study on the potentials for good practice in this regard and some reasons for the current state of poor networking in the Slovene hospitality sector are presented. The research consists of two parts. Managers of hospitality companies and leaders of two formal networks were interviewed for this purpose. The quantitative approach with Likert-type ordinal scale was used with the former group, while semi-structured interview and qualitative analysis was employed for the latter. The results revealed some interesting differences in the operational focus between formal and informal networks in terms of goals sought by their members. Strategic cooperation with the suppliers turned out to be the most common field of networking, while the principal obstacles for more intensive networking seem to lie in the conservative character of managers in the hospitality business, distrust and lack of time and organizational knowledge. This research fills the gap in dealing with industrial networking by confronting formal and informal strategic cooperation praxes in hospitality business.

**Keywords** Industrial networking, hospitality, Formal networks, Informal networks, Slovenia

### **1. INTRODUCTION**

Industrial networking consists of cooperation among or between companies, sharing ideas and even resources, forming strategies to attempt to increase business for the whole, seeking competitive advantages by finding common needs and so on, disdaining the direct competitive model (Gilmore, Carson and Rocks 2006, 279; Hanna, Walsh 2008, 300; Peric 2006, 358). The essence of networking is the linkage and exchange of two or more partners' resources on a voluntary basis. Beside material goods these resources may also involve knowledge, experiences, information, production capacities, etc. Industrial networking can take many different forms and consist of various levels of involvement - from informal periodical alliances to joint ventures.

Effective networking should result in a win-win situation for all members of the network. Domke-Damonte (2000, 142) emphasizes that networking provides firms the ability to reduce unexpected behaviour by other firms by increasing the perceived interdependence. Furthermore, networking has an important social dimension as well. Access to information and the reduction of business risk enhance the self-confidence and motivation of entrepreneurs. Relationships can be vertical – involving firms at

different points of the value stream, horizontal – between competitors, or diagonal – between suppliers of complementary tourism products.

Networks can provide support, technology, knowledge, customers, access to new markets, facilitate performance improvement, and assist in developing business (Bowen, Jones, and Lockwood 2006, 3; Preble, Reichel and Hoffman 2000, 339). Chathoth and Olsen (2003, 421) pointed out that the key element of an alliance functioning on the basis of formal or informal agreements is inter-firm sharing of both tangible and intangible resources with the aim of creating a superior competitive position for the networking firms. Thus, alliances can be considered as a possible source of value creation, as well. Beside business partners such as important customers/buyers and suppliers, mentors, associations and personal acquaintances can also constitute a business network (Antončič, Hisrich, Petrin, and Vahčič 2002, 94-95).

A strategic partnership does not lead to establishment of a new organization and it also does not necessarily include mutual investment of capital (Lynch 1993; Poon 1993, 224-228). Networks are especially effective for the operators of small and medium businesses (SMEs) as they particularly depend on the nature and quality of their relations with other firms (Szarka 1990, 10-22). These enterprises are increasingly recognized as important for the competitiveness of national economies, as around 99% of enterprises can frequently be categorized as SMEs (Bowen et al. 2006, 2; Hwang and Lockwood 2006, 337; Sommer and Haug 2008, 2). A general weakness of these companies is limited resources (Gilmore et al. 2006, 278; Sommer and Haug 2008, 2). SMEs can neither achieve the benefits of economies of scale on their own, nor can they organize their business functions optimally due to their small size.

Erkuş-Öztürk (2009, 589, 593) studied the interrelation between cluster types and firm size. Results revealed that the size of a firm has a significant effect on the level and type of networking. While global integration is very high among large tourism firms, for small firms this is not the case. Global networks are important for the tourism industry, which tries to attract global demand; tourism SMEs can benefit more from local and regional networks.

Although extensive research exists on networks and networking within the business and management literature, significant gaps still exist in our understanding and knowledge of the contents, dynamics and processes in SME networks (Gilmore et al. 2006, 282). Tinsley and Lynch (2001, 370-371) offered a detailed literature review on small tourism business networks. They pointed out that most of the research on networking in SME is undertaken in manufacturing and technology based industries. As a result, knowledge on networking within the small tourism businesses is particularly poor (Tinsley and Lynch 2001, 373). The situation is further complicated because the term “network” is understood and applied very loosely in the literature. In different contexts it denotes strategic vertical cooperation, collaborative relationships with competitors, membership of formal network organizations, or the personal contact networks of owners/managers (Shaw 2006, 6). Due to the multidisciplinary nature of the field and the wide range of research methods and theories that have contributed to its understanding we presently face a colourful but sometimes confused picture of the roles and values of networks (Hanna and Walsh 2008, 300).

Although social networking cannot be entirely delinked from inter-firm cooperation or so called 'business networking' (Gilmore et al. 2006, 279; Miller, Besser and Malshe 2007, 633), the focus of our paper, and our understanding of networking, will be on the latter.

### **1.1. Areas and benefits of networking**

Areas of strategic cooperation may be manifold. Shaw (2006, 11) identified six main network contents in his qualitative research: information, advice, economic transaction, bartering-exchanges, normative expressions and multiple relationships. Sommer and Haug (2008, 2) list the following benefits gained by companies participating in cooperative arrangements: broadening the resource base in terms of skills, technologies, and know-how, the possibility of risk-sharing, combining complementary capabilities and profiting from economies of scale. Gilmore et al. (2006, 290) stress the importance of networks in marketing. Such cooperation is especially suitable for marketing activities such as: planning, increasing market knowledge, managing distribution, managing product decisions, managing promotional activities, pricing, acquiring marketing resources and marketing innovation. Hanna and Walsh's research showed (2008, 308) that the main motivation for cooperation are factors such as maintaining parity with current technology, facilitating innovation in product or process design, redefinition of service offers and improvement of supply chain position. Miller et al. (2007, 653) add sharing of employee training costs and better possibilities to gain favourable legislation. Next, they divide resource sharing of network members in those considered to be low risk (sharing of equipment or employees, joint supplies and development of products) and those considered to be high risk (sharing of information about new technologies, suppliers, customers or technology). Coop (cited in Peric 2006, 358) has classified the possible reasons for networking into four groups: the concentration of resources and economies of scale, distribution of knowledge, support in daily operations, and development and planning. According to Munih Stanič (2003, 42), the main motives for alliances include the need for complementary technologies, cost and risk sharing and access to new markets. Hwang and Lockwood (2006, 343) state that the drive for innovation and learning, reliable supply, co-marketing opportunities and stronger image are crucial factors. In the hospitality field: marketing, resource sharing and development of standards seem to be the major benefits sought by firms (Bowen et al. 2006, 4). Generally, the final goals that are pursued through networking can be grouped into four fields: sales volume, competitiveness, supply variety, and technological and organizational solutions.

### **1.2. Conditions and obstacles for networking**

For any cooperation, and especially that between (potential) competitors, certain conditions should be fulfilled, as there are several possible hindrances making networking difficult to establish. The first and perhaps the most important condition for a successful network is the trust between its members (Gilmore et al. 2006, 279; Hanna and Walsh 2008, 302; Miller et al. 2007, 634; Sommer and Haug 2008, 3). Lack of it is believed to be the most important obstacle for the network's success. Being a good and trustful partner is crucial for all forms of industrial networking; this attribute can be called a company's collaborative advantage (Das and Teng 1998, 493; Kanter 1994,

96). Beside the lack of trust, Hanna and Walsh (2008, 302) mention several generic reasons for poor performance of networks: inadequate communication, a mismatch of resources, inappropriate organizational structures/processes, mismanagement of the collective learning process, poor processing of information, and management of uncertainty.

Sommer and Haug (2008, 3) demonstrate how individual traits of managers (ethnicity, gender, experience, etc.) as one of the four fields proposed by Street and Cameron (the so called "antecedents") influence the intended intensity of cooperation. Dubrovski (1997) lists the following conditions for successful networking: compatibility of different partners' goals, the possibility to ensure strategic advantage, inter-dependence of partners, acceptance of responsibilities, adequate amount of time, mutual trust and support, suitable management of the network and appropriate communication. The latter is stressed by Cambra-Fierro and Polo-Redondo (2008, 636) as well. In effective networks, members should hold a shared vision of what they want to accomplish and similar values and expectations of the behavior in a network (Miller et al. 2007, 637). Hwang and Lockwood (2006, 343) believe the best practices in partnering and networking are based on mutuality, goal achievement, value for money, the professionalism of participants, longevity and involvement.

### **1.3. Networking in the hospitality business**

A vast majority of independent hospitality establishments fit in the SME sector (Bowen et al. 2006, 3). Strategic actions such as goal oriented sharing of resources and some business functions, exchange of information, joint procurement and other types of collaboration can improve the competitiveness of restaurants, inns, hotels and similar establishments considerably (Miller et al. 2007, 653). Crotts, Buhalis and March (2000, 1) claim that in the hospitality sector very little can happen without multiple firms working collaboratively with one another to serve the consumer. In the past, alliance strategy in hospitality industry was focused on franchising agreements, but the fact is that there is still abundant room for growth of other, less binding strategic collaborations. Chathoth and Olsen (2003, 430) believe that for hospitality firms to be successful in the future they will almost certainly have to consider alliances as sources of competitive advantage. But, despite the fact that alliances bring a lot of advantages the hospitality industry has not witnessed the growth of informal non-equity contractual agreements, so there is scope for the development of such alliances.

The principal aim of the paper is to present the results of a study on the present state of networking, unexploited potentials and reasons for poor cooperation between firms in the hospitality sector that was carried out in Slovenia. The main research questions were: 1) what are the reasons for the current state of poor networking in the Slovene hospitality sector, 2) which areas of cooperation are perceived to be potentially most beneficial, and 3) whether the activities and orientation of formal networks in the area of hospitality and tourism are in line with the perceptions of individual managers. Our ultimate goal was to provide policy makers with relevant information for efficient further actions to foster networking practices. So far, all formal initiatives were oriented towards formal networks implementing top-down approach. Nevertheless, good practices show that bottom-up approach is more efficient. Therefore, managers of

hospitality companies as (potential) members of informal networks and leaders of two formal networks from the field of hospitality and tourism were included in the research. In Slovenia practically no research has been done on networking in the hospitality sector thus far. Even on the international level but a few empirical studies have sought to explore structure, content, and motive regarding small firms engaging in networking (Shaw 2006, 7).

Poor cooperation between hospitality companies and other suppliers co-forming the integral tourism product (ITP) is one of the most important obstacles for implementation of the national tourism strategy as reported in the "National Tourism Development Plan for the Years 2007-2011" in which strong destination management organization (DMO), private-public partnership and coherent ITP are recommended for the achievement of comparative advantage (Uran and Ovsenik 2006, 17). While some attempts have been made in the area of lodging establishments to form networks, restaurants, inns, bars and similar catering outlets still show very little interest in collaboration. We believe that policy makers can benefit from the results as they point out which crucial hindrances and opportunities demand special attention and action in order to stimulate business networking in this area.

#### **1.4. Tourism in Slovenia**

Slovenia lies in central Europe bordering on Italy, Austria, Hungary and Croatia, and is thus easily accessible for tourists from the main European tourist markets. Its population is approximately two millions. In recent years the adoption of the Euro, entrance into the Schengen zone and holding of the EU presidency made travelling to Slovenia both easier and more desirable (Euromonitor n.d.). In addition, tourism represents an important economic activity for Slovenia. Revenues of international tourism per capita reached 1000 € in 2008, which put Slovenian tourism significantly above the European average (Daneu, 2010). In the year 2008, travel and tourism provided nearly 120,000 jobs in Slovenia (Wttc n.d.). The top five tourist generating countries as determined by number of overnight stays were Italy, Austria, Germany, Croatia, and the United Kingdom (SI-STAT - Tourist Overnights by Municipalities 2009). Although Slovenia as a tourism destination offers a variety of attractions – intact nature, spas, mountains, caves and old towns, just to mention a few – its seaside region, with approximately a quarter of the national tourism income, still represents the core of Slovenian tourism.

In terms of accommodation capacity, in 2008 Slovenia offered 31,954 rooms, of which 15,640 were hotel rooms. In the same year the number of arrivals reached 2,766,194 and the number of overnight stays reached 8,411,688. The average length of stay was 3 days (SBS, 2009).

## **2. FORMAL NETWORKING IN SLOVENIA'S HOSPITALITY SECTOR**

Only a few formal networks exist in the hospitality sector in Slovenia. For purposes of our research we contacted representatives of four formal networks operating in the field of hospitality, receiving a response from two of them.

A successful example of formal networking in the hospitality sector in Slovenia is the Association of Small Hotels (SSHA - former Small hotels cluster). This cluster was established in 2004 with the financial support of the Ministry of Economy that at the time, within the program for stimulation of networking (joint development of products, joint marketing, etc.), implemented several measures to boost strategic partnership projects. In 2006 financial support from the Ministry ceased and the cluster was transformed into the Association of Small Hotels. Since then the Association has been financed through a membership fee. The Association has 31 members: 23 hotels and 8 strategic partners (consultancy and educational institutions, National tourist organization and Association of tourist farms) (Zlatoper 2009).

The goals of the Association are:

- the improvement of the occupancy rate and better business results,
- introduction of specialized offer in each member hotel,
- development of common brand "Slovenian Small hotels",
- development of new products,
- to increase the added value of member hotels' services,
- introduction of common quality standards,
- increasing investment funds.

This mission is implemented by the development of joint tourist programs, trainings for employees, joint marketing actions, applications of national and international financing programs, and activities for service quality improvement. Interestingly, not one company from the littoral is member of the association. On the one hand, the reasons can be found in capital mergers of large hotels that have taken place in the last decade and have undoubtedly diminished the need for collaboration with companies outside these joint businesses. On the other hand, especially for catering outlets, it seems that managers do not see the need to change their products and operations as they nevertheless attain higher prices and higher average spending per guest than outlets outside this area. These seemingly good results are possible due to the valuation function of tourism, restricted mobility and the lack of information among tourists (Sedmak 2006, 51). This might be called managerial myopia (Lavery 2004, 950): hospitality operation managers do not care or are not aware of long term opportunity costs of non-cooperation. Policy makers on the national and regional levels are aware of the importance of strategic partnerships and declare it in their strategic documents, but their incentives seem to miss the mark. Therefore, some additional information on hindrances for industrial networking might be of great help to them.

Another formal network included in the research is the Hiking and Biking Economic Interest Group (HBEIG), which was established in 2008 by 30 specialized accommodation providers for hikers and cyclists, in cooperation with the Slovenian Tourist Board (STB). The Group has 27 members (hotels and similar establishments), 30 partners (local tourist boards, municipalities and some other associations such as the Nordic Walking Association, the Slovenian Mountain Guide Association and the Mountaineering Association of Slovenia) and 1 strategic partner (STB). The initiative for establishing the network was launched by the STB. The Group is financed through

its membership fees, contributions of the STB and other partners. The main purposes of its establishment are (Slovenian Tourist Board n.d.):

- the development of integral tourism products related to hiking and biking,
- to perform promotion and marketing of accommodation providers and destinations,
- promotion of hiking and biking packages,
- to ensure quality offer of specialized accommodation.

### **3. RESEARCH**

#### **3.1. Methodology**

Interviews with the president of the assembly of SSHA and with the director of the HBEIG were carried out regarding up to date experiences, and managers of 155 randomly chosen hospitality companies were interviewed. Methodological framework was different for the two selected segments. The first reason is that one of the formal networks is not directly from the hospitality area. And secondly, due to the lack of preceding information on operation and activities of formal networks and the small number representatives willing to take part in the survey quantitative research was not sensible for the sample of formal networks. Therefore only an interview was carried out using the following set of guide questions:

1. Who was the initiator of the network?
2. What are the main goals of the network?
3. What is the organization and financing of the network?
4. Had the members of the network collaborated before entering the formal network?
5. What have been the experiences regarding differences between formal and informal networking?
6. Which are the areas of collaboration?
7. Do you see possibilities for extension of collaboration?
8. Which are the key benefits from and hindrances to collaboration?

On the other hand, a certain body of knowledge deriving from previous research existed on informal networking in hospitality (Bowen et al. 2006) which was used as the basis of this research. Besides, a relatively large sample of managers allowed us to employ quantitative approach. Therefore a five-point Likert-type ordinal scale and open questions were employed for the survey among the managers of hospitality companies. The managers were asked about their actual cooperation with other companies and what in their opinion were the main opportunities from and hindrances to networking. Basic information of the companies was gathered, too. In order to facilitate the managers' evaluation, eleven areas of cooperation were formed as statements on the literature review basis and an "open option" was added. These areas were: marketing, exchange of experiences and information, exchange of knowledge and skills, recommendations to guests, joint procurement, access to capital market, joint outsourcing, joint market research, cheaper access to business databases, joint development of products and standards, and vertical networks (with suppliers and

important customers). Similarly, the eleven most frequently traced hindrances for networking were formed as statements.

### 3.2. Results and discussion

First we summarize the main information from the two representatives of the formal networks. Jure Požar (personal communication, September 1, 2009), the president of the SSHA assembly, said that the initial incentive for the foundation of the cluster was the possibility of acquiring finances from the Ministry of Economy. Some limited cooperation among hotels had existed before the formal network was established; however, during the first two years of activities, members of the cluster realized that formal cooperation brings more credibility to cluster members and better chances for successful application on different projects. Marko Lenarčič from the HBEIG mentioned credibility as an important advantage of the formal network, too. The group can, in his opinion, more easily achieve its goals such as fund raising, investments in infrastructure, etc., if it operates as a legal entity. The majority of other network functions can be carried out through informal agreements.

Despite good experiences with the cluster/association, in Mr. Požar's opinion informal social networks and personal relationships between the managers are still more efficient than formal relationships due to a higher level of trust. Nevertheless, he feels these two types of cooperation are complementary. So far, orientation towards common values and principles, joint marketing actions with emphasis on branding, organization of workshops and exchange of experiences, turned out to be the most fruitful areas of cooperation. By far the most important obstacle for more intensive cooperation is, in Požar's opinion, lack of time, followed by a concern for professional secrecy and the managers' individualistic characters.

STB encouraged companies to form HBEIG. Groundwork for it was prepared within the strategy for development of a tourist product related to hiking and, later on, biking. The group annually prepares an activity program which is approved by its members in cooperation with the STB and partners. This activity program is financed partially by the STB, by members of the Group, municipalities and sponsors. Mr. Lenarčič stressed better tourist infrastructure (e.g., hiking and biking paths), easier access to new business partners and channels, and cheaper promotion as the main benefits for the members of HBEIG. Lack of money is seen as by far the main obstacle for more successful achievement of the Group's goals. Enlargement of the number of members would therefore certainly contribute to faster achievement of results. The second obstacle is the lack of specific knowledge and experience; members of the group do not have necessary special skills for the development of specialized tourism products.

On the other hand, the results of the second part of the research highlighted experiences and perceptions of the companies' managers who are not a part of a formal network. The sample of establishments included in the second part of the research comprised 37 bars, 91 inns/restaurants and 27 lodging establishments. The majority of establishments (97) had 5 or fewer employees, 54 establishments between 6 and 20 employees and 4 establishments had more than 20 employees.

Only 51 managers from the sample practice some kind of strategic cooperation with other hospitality establishments (with 1-10 of them). Principally, the cooperation concerns pricing and the services offered. 46 managers have strategic connections with travel agencies or (other) lodging establishments (with 1-13 of them). 116 managers have strategic cooperation with the main suppliers (with 1-30 of them) and 53 managers stated they cooperate strategically with important customers (companies, institutions). It seems that strategic cooperation with the suppliers is less problematic and the most fruitful as it allows untroubled operation and financial planning through the maintenance of constant prices, and access to a consistent quality of provisions.

The managers' attitudes and perceptions regarding the networking were measured by grades appointed to different statements (1 - meaning "I do not agree at all" and 5 - meaning "I agree absolutely). In Table 1 the mean values regarding the possible benefits gained by networking are presented.

Table 1: Managers' perceptions of advantages

Statement	Mean	St. dev
By inter-firm networking (sharing of resources, knowledge, etc.) my company can achieve better business results.	3.99	1.08
<b>Networking is advantageous for:</b>		
Recommendations to guests to visit other members of the network	4.39	0.92
Increasing sales volume	4.19	1.01
Exchange of experiences and information (regarding new technologies, partners, etc.),	4.12	1.05
More reliable and favorable supplies	4.03	1.12
More efficient marketing (joint promotion, branding, better image, etc.)	4.02	1.11
Exchange of skills and knowledge (workshops, internal training, consultations, etc.)	4.00	1.04
Joint procurement (quantity discounts, databases, etc.)	3.63	1.41
Joint outsourcing (accounting, legal advisers, etc.)	3.68	1.20
Access to capital market	3.58	1.28
Cheaper access to business databases	3.55	1.26
Joint market research	3.49	1.32
Joint development of new products and standards	3.34	1.15

None of the managers could think of any other advantage brought about by networking. The above results mainly confirm the actual state of networking. The managers are principally concerned with direct achievement of operational goals (e.g., higher sales volume and reliable and favorable supplies), while relatively little interest is shown in engaging in strategic cooperation that only brings about positive results in the long run. This attitude is consistent with the present, often blurred, marketing position and often myopic style of conducting business in hospitality firms, especially in the catering sector (Sedmak 2006, 52).

Next, statements regarding the reasons for lack of or poor networking frequently mentioned in the literature were presented to the managers. Again perceptions were measured by grades allotted to different statements. In Table 2 the mean values regarding hindrances to networking are presented.

Table 2: **Managers' perceptions of hindrances**

<b>Hindrances to networking are:</b>	<b>Mean</b>	<b>St. dev</b>
Conservative character of managers in the hospitality business	3.90	1.07
Distrust	3.86	1.19
Lack of organizational knowledge	3.78	1.08
Lack of time	3.74	1.20
Fear of disclosure of professional secrecy	3.64	1.32
Changes on the market are too fast (emergence of new establishments and failure of old ones)	3.61	1.22
Managers are not acquainted with benefits of networking	3.50	1.26
Managers do not even reflect about it	3.32	1.31
Bad experience in the past	3.21	1.27
Personal conflicts	2.75	1.36
Networking does not bring any gains	2.28	1.26

Besides the suggested hindrances the following possible reasons were mentioned as obstacles for more intense networking: individualistic national culture, lack of will and lack of respect for people working in the hospitality business, and professional envy.

When comparing the perceptions of managers and experiences of the president of the assembly it can be noticed that a formal network stresses long-run target oriented cooperation, such as a higher level of credibility of cluster members, common branding and easier access to project funding, etc. On the other hand, (potential) members of informal networks predominantly seek short term benefits. The exchange of experiences and knowledge is seen by both as an important issue.

The conservative character of managers in the hospitality business, distrust and lack of time and organizational knowledge are obviously general problems in networking. Managers that are not members of a formal network feel that concern for professional secrecy, an unstable market and ignorance of the benefits of networking are relatively important hindrances for more intensive strategic cooperation.

As the sample of hospitality companies included in the research was quite heterogeneous we decided to check for possible differences in perceptions between the sub-samples. These were formed based on size, type of establishment and location. Since the data were not normally distributed, the Wilcoxon-Mann-Whitney test was used for the statistical analysis. This nonparametric test measures the probability that two independent samples of ordinal values were drawn from the same population distribution (SurveyMethods, Inc. n.d.).

First, we divided our sample into two groups based on the size of establishments. Since the majority of the companies were very small, the first group included micro-companies with 5 or fewer employees, and the second group represented those with more than 5 employees.

Only three statements showed statistically significant differences (more efficient marketing, sig = 0.02; managers do not even reflect about networking, sig. = 0.04; distrust, sig = 0.05), which suggests that the size of establishment has some impact on managers' perceptions of advantages and hindrances regarding networking. Managers of establishments with more than 5 employees agree more (mean = 4.3) with the statement that networking leads to more efficient marketing than micro companies (mean = 3.9). This is quite surprising as marketing activities are often mentioned in literature as one of the most promising areas of networking for small companies. Obviously, the competitive component dominates in this case. Managers of micro establishments agree more than their counterparts in larger establishments with the statement that managers do not even reflect about networking (means = 3.5 and 3.1, sig. = 0.04) and that distrust is a hindrance for networking (means = 4 and 3.6, sig. = 0.05). These results show that there is less awareness concerning the advantages of networking and greater suspiciousness among companies with only a few employees.

In order to determine whether the type of establishment has an impact on managers' perceptions of the advantages and hindrances of networking, we divided our sample into two groups based on the type of establishment. The first group comprised establishments that offered only food or food and beverage (F&B) (128 establishments) while the second group comprised establishments that (also) provided accommodation (27 establishments). Only the means of the statement regarding more efficient marketing were significantly different between the two groups (sig. = 0.00). Managers of the establishments that do offer accommodation agree more with the statement that networking leads to more efficient marketing (mean = 4.6) than managers of F&B establishments (mean = 3.9). This result confirms the above finding regarding the domination of competition over the potential advantages of cooperation among the F&B establishments (which are mostly micro-establishments). This attitude is actually mirrored in the present state of networking in Slovenia.

Finally, we divided our sample into two groups based on the type of location. The first group represented establishments located in tourist resorts (40 establishments), and the second group those located in non-tourist resorts (115 establishments). Again a statistically significant difference was found for only one statement (personal conflicts, sig. = 0.02). Managers located in tourist resorts graded the statement that personal conflicts are a hindrance for networking higher than managers of establishments located in non-tourist resorts (means = 3.2 and 2.6). Due to high seasonality, an unstable market, including a relatively high fluctuation of owners/managers entering and leaving the market, such a result does not come as a surprise. Although establishments in tourism destinations could gain the most from closer cooperation, it seems that this group has the longest way to go before managing to use networks efficiently.

## CONCLUSION

With this research we explored the present state of Slovenia's informal networking in the field of hospitality, and compared it to experiences of two formal networks in the hospitality sector - the SSHA and HBEIG. The aim was to identify the main unexploited potentials and reasons for poor cooperation between firms in the hospitality sector. Our results revealed that informal strategic cooperation with suppliers is quite widespread while only a third of hospitality establishments cooperate with some other hospitality company. Also, about one third of the managers interviewed said that they do have some strategic connection with travel agencies and major customers.

The managers of hospitality establishments see the main potentials of networking in direct short term benefits such as recommendations to guests to visit other members of the network, higher sales volume, exchange of experiences and information, higher quality and reliable supply. On the other hand, formal networks seem to be more long-term oriented. They concentrate on joint marketing actions (branding), building of tourist infrastructure, easier access to new business channels, etc. The principal obstacles for more intensive networking seems to be the conservative and individualistic character of managers, distrust, poor organizational knowledge, lack of time and concern for professional secrecy. These hindrances were identified within both formal and informal networks. The managers pointed out another interesting problem that is probably specific for ex-socialist countries - lack of respect for people working in the hospitality business. This commonly known fact influences the self-esteem of employees (including managers), leads to negative employment selection and might therefore be more important than it seems at first glance.

Certainly many of the above-mentioned hindrances to a higher level of strategic cooperation in the hospitality business cannot be overcome overnight. The most effective measure policy makers should introduce at this point would be to strengthen the efforts aimed at stimulating networking by systematic promotion of the advantages and benefits of networking. It appears that a considerable percentage of managers have not reached the first half of the well known marketing acronym AIDA (awareness, interest, desire, action) yet. The comparison of the results between sub-samples shows that the focus of the action should be directed towards micro-establishments (represented predominantly by F&B establishments) in tourism destinations where the situation seems to be the most trying.

Finally, some easily accessible educational programs on specialized skills for successful networking should be organized for those managers who are willing to become involved in networking but feel they do not have the proper expertise to do so.

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