SMEs' networks –
Modern method to develop Romanian tourism

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ABSTRACT
In recent years, due to the globalization phenomenon and the increasing role of the Internet, a new concept has revolutionized humanity: networks. Whether they have an informal or professional structure, networks have become a highly effective means of communication. But one cannot find networks only in the virtual sphere. They are configured and functioning in real life with members who are attending regular meetings. From a business point of view, there are many advantages of being involved in a network’s activity. The domain of tourism has become an area where communication is established as a sine qua non of evolution. Thus, SMEs (Small and Medium-Sized Enterprises) from tourism sector find themselves facing a new challenge, that of visibility, as the correct expression of the business content in order to increase awareness and its natural consequences, one of which is competitiveness. Belonging to a tourism network of SMEs in tourism determines, inter alia, an improved communication, acquisition of new techniques of expression, the ability to act together in order to face the problems, access to best practices experienced by other organizations. For these companies from tourism sector is a moment to change their long term strategy and to follow a simple principle - competition must be regarded with different, more “friendly” eyes. In a world where tourism is a regarded as a domain which undoubtedly registers a rising trend, the benefit of communication and collaboration must be strictly higher than that of competition. By being a member of such networks, the SMEs can reach unexpected performance and can strengthen their position on the market.

KEYWORDS
SME, networks, business, tourism, communication, entrepreneur.

JEL Classification
L26, L83.

Introduction
“Coming together is a beginning, keeping together is a progress, working together is a success” is Henry Ford’s affirmation at the beginning of last century, very relevant even today, in many areas of economic and social life. One of them is the SME sector, where the idea of collaboration, communication and joint projects between companies in the field or / and in certain areas leads to success.

In the EU, 67% of the employed population from the private sector is working for about 23 million SMEs, which provides otherwise, 80% of newly created jobs (European Commission, 2011). However, this does not seem to be enough, so the European Commission wants to increase the attractiveness of business environment and encourage more people to become entrepreneurs. Europe’s economy depends largely on the ability of small businesses to use their potential.

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A concept which began to be more and more important for the SMEs is the concept of network. It is not just a theoretical field, but a practical representation of the likelihood of association (formal or informal) of firms that have common concerns and believes that unions can help them to develop and obtain better results.

The concerns regarding enterprises of networks are relatively recent, a definition is given by Jones, Hesterly and Borgatti (1997) "A select, persistent and structured set of autonomous firms (as well as non-profit agencies) engaged in creating goods or services based on implicit and open-ended contracts". Important contributions in this domain have Österle, Fleisch, Art (2000), who investigates among others the role of organization in the information age, and explains networks’ business strategies and the key factors for success or Vervest, van Heck, Preiss, Pau (2005) who emphasises, justifying the role of "smart" networks in business. Other reference documents are those of Håkansson and Johanson's (2001) who focus on the process of learning in these business networks or Blundel and Smith (2001) who covers three major areas: of business networks, small businesses and strategic alliances.

The purpose of this paper is to highlight the role of business networks for SMEs’ activity in general and for those SMEs from the tourism domain in particular. Specifically, references are made to businesses in from the Romanian tourism, identifying the benefits that firms can obtain due to the decision to gather in a business network regarded more as an alliance. Starting from a few facts about the Romanian tourism from companies’ perspective, this material aims to provide a less expensive solution but extremely modern for Romanian SMEs from tourism domain, trying "to open the eyes" of the entrepreneurs and managers to pass more easily through the crisis and why not to discover new facets of the business they manage.

1. General aspects regarding SMEs’ networks

Why SMEs group themselves in networks? Researchers such as Keeble and Castells (2000) stress that the economy of transaction costs are insufficient to justify the existence of networks. One explanation stems from the fact that large firms internalize a big part of the domain concerning the functioning of a network

Large firms are able to do so because they have economies of scale. SMEs are limited in their access to specialized resources and capital. Taylor and McRae-Williams (2005) points out that by facilitating networking and exchange of knowledge, small firms are able to compete for resources, expert consultancy and information systems, a well as internalizing the skills and assets, which usually are held by large companies with economies of scale (Tayler & McRae-Williams, 2005).

Therefore, the networks offer benefits for SMEs that in other cases might have been unavailable or available at a higher cost. While value added, research and development activities, access to a larger customer base and advanced business services are clearly the main aspects that contribute to the grouping SMEs in networks, the need to access tacit and explicit knowledge proved to be a central driver for them (Keeble, 2000).

Usually, companies and individual actors adhere to formal and informal networks based on professional, social and intellectual exchange. Knowledge capital accumulated by a person by belonging to the network is personal, and tacit knowledge is a valuable asset in the business. SMEs often feel a certain fear in terms of opportunistic behaviour of the competitors, but the concept of network often emphasizes the importance of trust in alliances between member firms.

Networks generate high levels of trust and establish links that allow open exchange of knowledge and ideas in the chosen field, which in turn fosters a high level of collective learning, competitive advantage and innovation (Keeble, 2000).

Trust, as a sociological parameter, is not easy to achieve. However, network-type structures need it to work, on the one hand, and on the other hand, trust develops truly effective collaboration. It is like a school-business relationship in which theoretical knowledge is acquired through practice highlight. Thus, theoretical "understood" confidence at the network meetings, takes shape in common activities of the firms.
It is also obvious that the networks are completely unstable configurations which are not just easy to do, because what makes them so effective is also their weakest point, namely that their living largely from trusting partners. If this trust is lost or not even achieved between the interested parties the network does not have a future.

Especially for small and medium enterprises, networks of companies are a beneficial tool for facing the complexity of a globalized world and for stimulating the innovative capacity, for securing and improving competitiveness.

Networks allow SMEs to gather and capitalize on the advantages of a wider cooperation, without abandoning their identities as small or medium enterprises. Within networks, otherwise independent partners engage in certain collaboration, on specific matters, thus being able to create synergic effects by coordinating resources and competences. They remain at the same time independent one from each other, avoiding the risk (danger) of having to build costly bureaucratic structures and - thus - of losing their flexibility.

Business networks are the new cells of the knowledge based economy because it generates exchange of know-how and best practices. Experience shows that there is no better counselling for an owner than the one provided by other owners, who have already tested certain strategies and validated some of them. As the process of exchanging such experiences takes place alternately, all the participating (involved) companies can benefit from it.

Within networks, SMEs can fortify (consolidate) their market power. When they come in front of third parties and possibly negotiate more favourable conditions, when they offer joint market solutions and thus compete with larger companies, when they mutually support themselves in crisis situations, all these contribute to the improvement of the positions the involved companies have in the competitive environment.

In the end, within networks of companies, risks can be shared, such as those that occur in the case of funding investment items that require a lot of capital, but also in the case of personnel employment. Because the number of shoulders that take over certain risks is higher, more courageous decisions are also possible at company level, and the decisional processes are secured at the same time by the expertise of a wider group of owners.

Networks describe an association of relatively sustainable relations between otherwise independent partners (associates). Companies that belong to a certain network make their own decisions, as they used to, autonomously, but they cooperate for a certain period regarding certain aspects that pertain to the entrepreneurial behaviour. Thus, for certain interests, they become associates (partners), but they continue to be competitors in other regards. As this relation between cooperation and competition usually needs to be reconfigured, re-agreed and renegotiated continuously, networks preserve their vivacity and allow those involved to flexibly prepare themselves in relation to the undertaken modifications.

Finally, networks provide the opportunity to include very heterogeneous partners (associates) in a relation of cooperation. As companies can manage the aspects on which they will cooperate and those on which they will not cooperate, differences and discrepancies can be solved openly: even when collaborating, it is not necessary to agree upon absolutely all the matters.

2. Quantitative and qualitative aspects of Romanian SMEs from tourism

Tourism is an extremely dynamic sector, undoubtedly an area of the future, regardless of changes which might come. Although it is extremely fragile, subject to conditions that can change the size of flows, however, its existence cannot be questioned. Transformations are numerous, items that 50 years ago were only dreams, are reality now. Billionaires list for space tourism and leading manufacturers like Boeing and Airbus battle to launch large-scale business models capable of carrying a growing number of people (Charles R. Goeldner, JR Brent Ritchie, 2009). In the last three decades tourism businesses have registered globally consistent annual increases of at least 7%, and in 2007, tourism was accounted for 10.4% of global gross domestic product and was responsible for 231 million jobs worldwide (WTTC, 2008).
WTTC's and its partner Oxford Economics latest research confirms that the Travel and Tourism continues to be a top employer, with 8% of global workers involved in direct or indirect of the economy (in other words, 1 from 12.5 jobs or 235 million people). Moreover, despite the recession, travel and tourism industry accounts for 9% of Gross World Product (WTTC, 2010).

From year to year, more and more destinations have started to build a reputation and attracted around them a series of related activities. Opening local communities and investments made many regions or countries to be recognized as catalysts for regional, national and even world tourism. Encouraged by factors such as increased leisure time and income, the need for relaxation and knowledge and business development, tourism industry has diversified to become an unstoppable force in today's world.

European tourism industry employs about 5.2% of the workforce (approximately 9.7 million jobs, most of which are occupied by young people) and generates more than 5% of EU GDP (European Commission, 2010). Thus, tourism is as importance, the third socio-economic activity, after trade and distribution sectors and construction.

Regarding Romanian tourism, things are not too good. The number of units increased by 67% during 2000-2010, the accommodation capacity by 11%, but the number of tourists increased with only 26%. Overnight stays fell by 9% and capacity utilization index fell at 22% (INS, 2011). WTTC estimated (2011), the direct contribution of tourism to GDP in 2011 is expected to be 1.9%, while the total contribution could reach 4.5%. In terms of labour, it is estimated that 2.8% of all employees working directly in tourism, while with indirect jobs figure reached 5.2%.

A very important role in the tourism industry is held by SMEs*. The continued concern on SMEs’ sector development, both at European and national level reflects the recognition its role in the economic structure of a country’s contribution to ensuring balanced economic and social development.

The SMEs’ sector is the most active sector of a modern economy, a factor of technological progress and innovation.

We point out some of the main positive effects generated by the SMEs’ sector in an economy (Ministry of Economy, Trade and Business Environment, 2011):

- creating new jobs, representing the most effective way to combat unemployment;
- improving the competitive environment leading to increased quality of products and services offered on the market, stimulate innovation and technology transfer and optimizes use of resources;
- stimulate regional and rural development. SMEs represent a solution for reducing regional economic disparities by exploiting local resources, the ability to meet local needs based on detailed information they have on those markets;
- investment growth, with household savings as a source and a multiplier effect of their training;
- to attract foreign investments by providing quality related services necessary for their development;
- offer adaptability to customers, SMEs showing a high degree of flexibility, innovation capacity, rapid response to changing economic environment and they can occupy market niches that are not profitable for large companies.

A brief summary of the White Charter of Romanian SMEs, a complete analysis of SMEs’ sector in our country, reveals the following aspects regarding the activity of tourism companies in 2010 (CNIPMMR, 2011):

- in Romania, only 7.5% of SMEs are in tourism;
- businesses operating in tourism face: lower domestic demand (67%), inflation (52%), corruption and bureaucracy (43%), excessive taxation (45%), excessive controls (40%);
相比其他地区经济活动，旅游企业面临最小的下降(35%);

- 一般而言，气候/社会紧张局势，全球经济危机，种族紧张局势和政治变化在领导下的国家在旅游企业中表现得更加明显。
- 旅游公司在制定战略方面表现出最低的百分比(6.5%);
- 当前的商业环境在71%的情况下被认为是消极的;
- 相比2009年，销售额增长了25%的企业，而31%保持不变;
- 相比2009年，员工人数增长了16%的企业，而48%保持不变;
- 55%的企业在2010年较2009年减少了客户数量。

总的来说，领域问题复杂多变，需要持续的关注，以保持或面对市场。

一个有趣的现象，但可能被旅游人员的特征所解释，就是他们的乐观。因此，对于2011和2012年，企业家认为商业环境会改善。

Entrepreneurs’ assessment of the current economic environment

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<td>Detrimental to business development</td>
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来源：CNIPMMR，罗马尼亚中小企业白皮书-第9版，Sigma Publishing House，2011

信心对环境的积极演变是显著的，从2010年的9%增加到2012年的30%（表1）。然而，我们注意到中立情况下的百分比翻了一番。

为克服最困难的时期，中小企业需要利用所有机会，尤其是那些涉及高消耗资源的。这些投资可以在金钱之外，通过时间和知识和信息的交换来完成。创造力可以发挥重要作用，以找到维持和发展业务的替代方案。

3. 网络公司——发展旅游行业的具体方法

尽管由于乐观，旅游业代表的稳定性和平衡问题难以解决。全球化和频繁的休克或发作有显著的乘数效应。在这类情况下，寻求内部解决方案来帮助业务是可理解的。

发达国家找到了一个更易获得的资源，即网络。因此，商业网络的概念基于自愿、倍增的联系和团队成功等元素。利润需要时间，因此需要耐心进行网络的建设和操作。然而，现实已经证明，单独的成功是很难实现的。

我们需要联盟，解决问题是通过群体工作比个人企业家要好。
A fundamental element of the 21st century man is communication. In networks, people will relate to a higher level. If at first in the group stands a person or two (called leaders), members come along to express their thoughts openly, to expose their experiences they have gone through and to provide advice to the group. Another important element is the capacity for active listening. Often people tend to interfere over others in dialogue or to be involved in passive listening. In a network, the considerations related to important resources such as time or money; do not allow such an attitude. Each member will become an active character with equal rights or will leave the group. There is no middle ground in a network.

In Romania, tourism networks are still at the beginning, so the example of other countries such as Germany, Italy and Austria can be followed. Of course there are differences between Romanian and German tourism for example, at the level of SMEs. The most important difference relates to public-private partnership, rather poorly represented in our country. If in Germany, the government actually understand the role of SMEs for local and regional development, in Romania things are rather declarative. Public-private partnership law is only one years old in our country, so between the parties there is not a stable relationship, effective communication, which reflects in the poor results. Until finding levers to transform local authorities into active partners in tourism networks, entrepreneurs must find ways to grow their business, collaborate and initiate actions to promote tourism.

Creating tourism networks can be difficult as far as the entrepreneurs fail to understand the concept of "cooperation above competition ". We should start from the fact that tourists often choose the area first and after that accommodation. So the first step is the decision to travel to a geographic area. In a world where the number of tourist destinations increase by each year, it is more difficult to promote yourself as an entity.

A joint promotion of the area is much more important. The first barrier to be broken is that of mentalities. Many entrepreneurs believe that business areas are saturated as the number of such places. This is very true if we look up at the extremely low occupancy. However, the problem must be put another way: if we want streams of tourists we must think about complex programs for all year (not just in summer or winter or Christmas and Easter), there must be a real promotion of the area at a group level rather that at individual level and we must build even more units of accommodation for various categories of tourists. It is time for Romanian tourism SMEs to think at a "large scale" and to show openness to promote the destination as well, not just the location that they have.

Another barrier is that of time, regarded as an investment whose fruits are not seen immediately. Entrepreneurs should be aware that the results of a team work within a network cannot be seen overnight. If we consider only the confidence and requests for it to materialize in joint projects, we have the answer to the problem. However, given that people tend to understand Romanian tourism and increasingly adhere to the principles of sustainable development, they seem to be suitable for network activity. Moreover, the idea of competitiveness, necessary in business is associated with the idea of successful long-term survival. Thus, in a wide horizon for SMEs’ networks from tourism can be a feasible way to increase competitiveness in some tourist areas.

The advantages of belonging to a network are multiple.

First of all it is about access to information: each entrepreneur or manager faces every day different economic decisions, legal or ethical. The issues are complex, complicated and often demanding.

In a network, people can learn that not only they have to solve those situations but that others have already experienced and went on through those situations. They can receive advice; they can be directed to a much easier solution. The customers considered bad payers can be avoided by sharing a "blacklist", while suppliers of quality products and services can be contacted easily, following a recommendation.

Secondly, it is about "access to competition". Let us consider the example of the owners of boarding houses. It is hard to believe that the coming from the street you can request to have access to the kitchen of such place. As a result of belonging to a network, members can organize joint visits information, in turn, at all locations. Visits are highly useful, being the inspiration for the application of best practices in entrepreneurs’ locations.
Another advantage related to the "group effect" is that one can form a strong voice that can be heard more easily by the authorities in its efforts to correct local issues, and why not regional or national aspects, too. Tourism is often treated at local level just as a beautiful area, but it is seldom understood correctly. Political actors talk about its role as an engine for development, but few projects receive funding or have a correct execution, for sustainable development. Proof of claim is the reality on the ground and the lack of solid cooperation (even networks from developed countries that do not actors from the public and private sectors are not successful). However, recent years have brought changes, due to the emergence or strengthening of activities of some NGOs.

In a network, the members can work in teams in more than a single project, they can draw up common principles of collaboration and communication. New methods can be adapted and applied in managed SMEs. Common permanent problems, such as labour and its retention can find answers in group discussions. Where matters are not clear, the network may seek support from experts in public or private sector. Often, they respond to invitations for work load reasons (civil servants) or to expand the clients (private actors). However, in the absence of collective approaches, the chance of a tourism business to obtain information from those mentioned above is reduced considerably.

A current and future perspective is accessing European funds. Tourism is a priority domain related to staff training, promotion of local information, construction and upgrading of accommodation, food, infrastructure etc.. Basically, many areas of tourism activity may be the object of accessing funds. Within networks the information can be shared more easily and the experience of those who have already benefited from European funds is worth, considering the problems that occurred, the benefits and all the way to manage the project.

SMEs can access funds together or they can make recommendations on behalf of various members. Entrepreneurs should be aware of the implications involved in accessing grants, especially financial ones. Sometimes, implementation costs are to be borne by the beneficiary, the settlement will be made later. This can cause serious imbalances in the SMEs’ business, especially if they employ loans from banks or other financial entities. That is the reason why the knowledge how to exploit the opportunities of financing and project management on the accounts of members constitutes a real and valuable source of information.

On a practical level, as a means of collaboration, companies can adopt a uniform discount for customers coming as a recommendation of a member. The reduction can be expressed as a percentage or fixed cost. There may be discount vouchers, coupons or brochures, the decision being solely owned by the network’s members.

It is also conceivable a joint tender, various tourism service providers contribute to a complex tourism product which can be more attractive, with good chances of being commercialized for a high number tourists. If in the network there are travel agencies, the tourism product, the joint offer or any other type of service may be easier distributed to the final consumer. That is why, for Romanian tourism is advisable to have a network composed of members from all areas of tourism activities (accommodation providers, food, carriers, agents, owners of recreational areas, etc.).

The promotion is essential for any business. In tourism, the promotion can make a big difference. The arrangements are varied, depending on the existing money. However, for SMEs, by using modest contributions one can create quality materials, websites or participation. All of the methods are aiming to promote the members and by default the network.

The probability of a brochure presentation to be held by a potential client for an assessment as subsequently is more efficient compared to a flyer of one hotel. In tourism, the image must be associated with beauty, with an image that inspire, on a quality paper. Also, SMEs need to go to national and international fairs. If the attendance to a fair is at individual level, the costs are much higher. If there are some representatives who are attending in the name of the network, then there is a triple winning: the joint promotion, a higher stand and reduced costs.

The networks must be visible at all levels. It is therefore recommended a close relationship with local and regional media, so their activity will to be reflected on TV, newspapers or in virtual media.
Finally, an advantage of belonging to a network in the tourism is represented by the low costs. Thus, networks can operate using members’ locations, they can have modest fees (if there are formal network, with legal personality) or they can have inexistent costs (if the network’s activity is informal). The value of information acquired at the meetings is often much important than the participation’s costs.

All these gains are sufficient to constitute grounds for the decision to join a network of SMEs in tourism and why not even to initiate such a project. Although it is difficult to quantify the relationship between business competitiveness and participation in the network, the experience of other communities show a positive link. Just take the time and confidence to build strong and profitable connections.

Networking is an open space, a space of creativity and free enterprise, a space where you can identify solutions for the future. People working in tourism should not miss opportunities and benefits of networks’ membership. Although the road is tortuous the success will not delay to appear. It's time for these kind of actions for SMEs in tourism!

Conclusions

The contributions of the paper can be summarized as follows:

- Presenting the idea of SMEs’ networks in a positive way, by highlighting the main elements that give them usefulness. In a globalized world where change is perhaps the most active factor and often stressful, there is a certain need for communication, collaboration and finding information as fast as possible. Otherwise, unnecessary delays can make the arrangements useless. Belonging to a business network can make the difference for small businesses.

- The brief scan of the situation of Romanian SMEs from tourism highlights recent and relevant information. Thus, for 2010 we have a picture of their role in tourism. Also, we can notice how the crisis has influenced the work and the entrepreneurs’ perspective for the following years: 2011 and 2012.

- Setting up the benefits resulting from a tourism network’s membership is a major aspect of the paper. Thus, it becomes obvious that teamwork is a form of developing their own business. Although it may seem paradoxical and suggest a loss of corporate identity or independence, the networks are not created for this purpose. They just put together and seek common solutions from members’ experiences in order to solve individual or general problems. Thus, the group generated ideas that can be implemented in the members’ firms. Direct exchange of information, improving communication (a current problem in many SMEs), widening contacts (sine qua non condition of any business) are just some parts of the network membership.

- The networks can offer a clearer view regarding the real role played by each player in the tourism community. In fact, it's about the understanding that there are autonomous business entities with unique "personality", but whose voice is easily felt by the associating in a network. Thus, local authorities can play a more active partner and joint projects can be made easier.

The importance of the paper lies in the novelty of the domain in Romanian, the authors have tried to attempt to encourage SMEs in tourism to accept this form of cooperation and participate in creating, developing and strengthening networks at local, regional and why not national level.

The possible applications of this paper related to entrepreneurs and managers from the tourism sector can find enough reasons for a decision to join networks. Moreover, it can track and present future work and how networks of SMEs in tourism formed and evolved, they can be compared to each other or with entities in other countries, to highlight the advantages and identify practical best practices. Functional models of tourism networks can be analyzed in future papers or may be given as examples for other areas.

The paper has a high degree of novelty and encourages firms to engage in network activities, developing in a unique way their organizations’ activity. Also, last but not least the personal and professional development of individuals involved in the networks is indispensable for knowledge based society.
References


