



Developing institutional logics in the tourism industry through coopetition

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HIGHLIGHTS

- Institutional environment co-evolve with organizational practices and behaviors in the tourism industry.
- Organizational norms and values are affected through a dynamic interplay between institutional logics and coopetition.
- A mutually beneficial relationship is developed through adopting an institutional logic of coopetition.
- The conflicting-yet-complementary logics of cooperation and competition co-exist.
- The evolution of a tourism destination is shaped across micro-, meso- and macro-levels.

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ABSTRACT

Drawing on the concept of institutional logics, this study advances the coopetition research on tourism destinations. An inductive multi-case study approach is adopted to explore the evolution of cooperative practices of four tour operators in Macau over the last decade. The findings indicate that actors in a tourism destination respond to the changes of institutional factors by adopting an institutional logic of coopetition, which include five key processes: exploiting, exploring, bridging, sharing and boundary spanning. This paper contributes to the nascent literature on coopetition in tourism destination studies by analyzing the dynamics of co-evolution between the multi-stakeholders' changing logics of practice and the surrounding institutional environment. The implications of institutional logics and coopetition from a managerial perspective are also discussed.

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1. Introduction

The tourism industry to date has prospered through standards and protocols that govern industry players in conducting businesses and engaging tourists through cooperation (Goeldner & Ritchie, 2003). These taken-for-granted rules serve as general principles that guide tourism operators to collaborate and jointly develop the industry into a better tourism system (Aas, Ladkin, & Fletcher, 2005). On the other hand, tour operators often compete to contemplate new ways to expand and excel at the expense of industry rivals (Porter, 1987; Slater & Narver, 1994). The presence of

these two somehow contradictory views of collaboration versus competition among tour operators reveals a gap in the tourism literature in understanding how this paradoxical phenomenon has emerged and might co-exist (Corte & Aria, 2016; Wang & Krakover, 2008). This study aims to reconcile these contrasting views and to address the research gap by drawing on the institutional logics perspective (Thornton, Ocasio, & Lounsbury, 2012).

The characteristics of the tourism sector are considered as a suitable context for conducting research on institutional logics for three reasons. First, the complex issues confronting the production and distribution of tourism products and services (Edgell, DelMastro Allen, Smitch, & Swanson, 2013) are contradictory in nature. Such issues include tightening up of tourism regulations and public policies as well as the emergence of new information technologies, financial organizations and organizations related to tourists themselves as consumers of travel. It is essential to

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understand how these conflicting issues co-exist and affect the practices of tour operators and their underlying logics. Second, as the global tourism industry enters the twenty-first century on an upward trajectory, there are changes in the institutional environment that expose the actors to greater risks and increasing uncertainties. This climate of uncertainty provides considerable scope for the institutional logics to flourish (Dacin, Goodstein, & Scott, 2002; North, 1990). Third, prior research has shown that subject to different institutional pressures, the influence of an institutional environment on tourism organizations' behaviours varies significantly (Lavandoski, Silva, & Vargas-Sanchez, 2013). But the way that the creation and evolution of institutional logics affects an organization's survival in the tourism sector has yet to be developed.

To address these gaps, a qualitative inquiry is conducted to explore how the institutional logics of co-competition have evolved in Macau's tourism industry (Della Corte & Aria, 2016; Smets, Morris, & Greenwood, 2012; Wang & Krakover, 2008). Over the last two decades, the status of the tourism sector in Macau has been elevated from under-developed to being at the forefront of tourism development (UNESCO, 2016). This change happened largely because of the liberalization of the gaming industry and the entry of global gaming operators. Changes in regulations have not only stimulated the development of the local tourism industry, but also driven the development of novel practices between the tourism organizations that would enable them to pursue sustainability. All in all, the emergence of co-competition is reflected in the mundane daily practices by which organizational actors collaborate and ally with their strategic partners while competing at the same time.

Drawing on the perspective of institutional logics (Thornton et al., 2012), this article attempts to contribute to the tourism literature in two ways. First, co-competition among tourism operators reveals the path of underlying patterns of cooperation and competition and the transformation of both. That is, the findings advanced the co-competition theory by casting new theoretical insights into addressing the conundrum between the triggers and the changing patterns of co-competition among tour operators. Second, institutional logics provide the theory to understand how actors in inter-organizations change their values, norms and behaviors among multi-stakeholders during a transitional period.

After a brief overview, the theoretical background and the research context are outlined in the next section, followed by the methodology of embedded cases. The main findings that illustrate the practices guided by the institutional logics of co-competition in different tourism organizations throughout an institutional transition are presented. The theoretical and practical contributions and future research are discussed in the conclusion.

2. Theoretical development

2.1. Co-competition in tourism destinations

Defined as “within inter-firm interdependence, both processes of value creation and value sharing take place, giving rise to a partially convergent interest (and goal) structure, where both competitive and cooperative issues are simultaneously present and strictly interconnected” (Dagnino, 2009, p. 29), co-competition is conceived as rational actions and reactions in a cooperative or non-cooperative game (Brandenburger & Nalebuff, 1996). By interacting and cooperating with one another strategically, competitors are able to reach a win-win situation, in which payoffs are affected directly by individual actions (Shy, 1995). This perspective gives rise to both the resource-based view (Bonel & Rocco, 2007) and network-based view (Gnyawali & He, 2006; Madhavan, Gnyawali, & He, 2004) by furthering the arguments that competitive organizations can seek resources and capabilities from partners for

achieving interdependence and complementarity, and can enrich their composition of members and their related dyadic relationships with a focal firm's position.

Prior studies have illustrated the significance of co-competition in global, regional and national tourism settings (Mariani, Buhalis, Longhi, & Vitouladiti, 2014). The idea that cooperation (Beritelli & Laesser, 2011; Cai, 2002) and competition (Patsouratis, Frangouli, & Anastasopoulos, 2005; Ritchie & Chouch, 2003) can co-exist has also aroused the attention of scholars in the tourism field (Czernek & Czakon, 2016). Researchers have thus adopted both network and resource-based perspectives to study co-competition to develop different typologies of discrete relationships, degrees of intensity and influences (Della Corte & Aria, 2016).

From a resource-based perspective, co-competition studies on tourism destination have shown that tourism competitors develop cooperation in their marketing and management activities in the same destination while competing in some business activities in the same business context (Wang & Fesenmaier, 2007; Wang & Krakover, 2008). The main rationales for collaborating with competitors among tourism organizations, especially among small and medium sized tourism organizations (Gnyawali & He, 2006; Madhavan et al., 2004) are to achieve a sustainable competitive advantage by pooling their resources or capabilities (Bramwell & Lane, 2000; Caffyn, 2000), sharing tourism knowledge in the shared locations (Mariani et al., 2014), and jointly mobilizing actions and resources toward the accomplishment of common ends (Grängsjö, 2003). These strategies can address the problems of limited product lines, poor human resources and insufficient cash reserves (Vernon, Essex, & Curry, 2005).

From the network perspective, the main argument is to form a cooperative network of tourism organizations at both the horizontal (co-competition relationship between travel agencies) (Huang, 2006) and vertical (co-competition relationship between hotels and travel agencies) levels (Guo, Zheng, Ling, & Yang, 2014). For exploring the cooperative dynamics of the network in these destinations, issues of governance (Volgger & Pechlaner, 2014), integration of different destinations (Scott, Cooper, & Baggio, 2008) and trust building between firms in the same network (Czernek & Czakon, 2016) are examined. Subsequent to their changing relationships from dyads to networks, firms compete and cooperate for better value generation between stakeholders in different tourism destinations (Novelli, Schmitz, & Spencer, 2006). The formation of such cooperative networks in these destinations provides some positive empirical evidence of organizations engaging in co-competition (Bhat & Milne, 2008; Marcoz, Mauri, Maggioni, & Cantù, 2016) and highlights the value creation generated from the composition and interconnectedness of various tourism actors, including the competitors, suppliers, customers and complementors in supply chains and networks. This can enable organizations to simultaneously share the risks while lowering the costs of production (Cabiddu, Lui, & Piccoli, 2013; Lemmetyinen & Go, 2009; Novelli et al., 2006). In particular, the diverse actors underlying the tourism destinations signify the benefits of cooperation and competition (Lado, Boyd, & Hanlon, 1997) since the cooperation among some competing organizations may enhance the travel experience of tourists (Grängsjö, 2003; Stamboulis & Skayannis, 2003).

One important argument underlying tourism research is that a firm's individual strategies and performance are closely connected to the components of the destination. The success of a destination is usually characterized by the distinctive nature of tourism stakeholders, encompassing suppliers, distributors, customers, focal tourism competitors and other institutions (both private and public) (Saxena, 2005). While engaging in co-competition, these autonomous stakeholders in a particular destination have to develop shared rules, norms and structures to act towards a common end of

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